

EASTERN CO  
Form DEF 14A  
March 14, 2019  
UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
SCHEDULE 14A INFORMATION  
Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934  
(Amendment No.)

Filed by the Registrant  
Filed by a Party other than the Registrant  
Check the appropriate box:  
Preliminary Proxy Statement  
Confidential, for Use of the Commission Only (as permitted by Rule 14(a)-6(e) (2))  
Definitive Proxy Statement  
Definitive Additional Materials  
Soliciting Material under Section 240.14a-12

The Eastern Company  
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):  
No fee required  
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(3) Filing Party:  
(4) Date Filed:

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THE EASTERN COMPANY

112 Bridge Street  
P.O. Box 460  
Naugatuck, CT 06770-0460

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NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

May 1, 2019

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The Annual Meeting of Shareholders of The Eastern Company ("Eastern" or the "Company") will be held on May 1, 2019 at 11:00 a.m., local time, at the office of the Company, 112 Bridge Street, Naugatuck, Connecticut 06770-0460, for the following purposes:

1. To elect seven directors.
2. To vote on a nonbinding advisory vote to approve the compensation of the named executive officers  
To ratify the Audit Committee's recommendation and the Board of Directors' appointment of Fiondella, Milone &
3. LaSaracina LLP as the independent registered public accounting firm to audit the consolidated financial statements of the Company and its subsidiaries for fiscal year 2019.
4. To transact such other business as may properly come before the annual meeting of shareholders or any adjournment thereof.

The Board of Directors has fixed March 1, 2019 as the record date for the determination of shareholders entitled to notice of, and to vote at, the annual meeting or any adjournment thereof.

Your vote is very important. Whether or not you plan to attend the annual meeting of shareholders or any adjournment thereof, we urge you to vote your proxy as promptly as possible. If you attend the annual meeting and vote in person before your proxy is exercised, your proxy will be deemed revoked and will not be used.

All shareholders are cordially invited to attend the annual meeting of shareholders or any adjournment thereof, and management looks forward to seeing you there.

By order of the Board of Directors,

Theresa P. Dews  
Secretary

March 14, 2019

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PROXY STATEMENT  
of  
THE EASTERN COMPANY

for the Annual Meeting of Shareholders  
To Be Held on May 1, 2019

The Board of Directors of The Eastern Company ("Eastern," the "Company," "we," "us" or "our") is furnishing this proxy statement in connection with its solicitation of proxies for use at the 2019 Annual Meeting of Shareholders and at any adjournment thereof (the "Annual Meeting"). This proxy statement is first being furnished to shareholders on or about March 14, 2019.

GENERAL INFORMATION REGARDING VOTING AT THE ANNUAL MEETING

The Board of Directors of Eastern (the "Board") has fixed the close of business on March 1, 2019 as the record date for determining the shareholders entitled to notice of, and to vote at, the Annual Meeting. On the record date, there were 6,231,409 outstanding shares of Eastern common stock, no par value ("Common Shares"), with each Common Share entitled to one vote.

The presence, in person or by proxy, of holders of a majority of the voting power of the Common Shares entitled to vote at the Annual Meeting is necessary to constitute a quorum.

Shares represented by Eastern's proxy card will be voted at the Annual Meeting, either in accordance with the directions indicated on the proxy card, or, if no directions are indicated, in accordance with the recommendations of the Board of Directors contained in this Proxy Statement and on the form of proxy. If a proxy is signed and returned without specifying choices, the Common Shares represented thereby will be voted (1) FOR the proposal to elect: Mr. Fredrick D. DiSanto, Mr. John W. Everets, Mr. Charles W. Henry, Mr. Michael A. McManus, Jr., Mr. James A. Mitarotonda, Mrs. Peggy B. Scott and Mr. August M. Vlak to the Board of Directors; (2) FOR the approval of the compensation of the named executive officers; and (3) FOR the proposal to appoint Fiondella, Milone & LaSaracina LLP as the Company's independent registered public accounting firm. The Company is not aware of any matters other than those set forth herein which will be presented for action at the Annual Meeting. If other matters should be presented, the persons named in the proxy intend to vote such proxies in accordance with their best judgment.

If you submit a proxy and then wish to change your vote, you will need to revoke the proxy that you have submitted. A shareholder may revoke his or her proxy at any time before it is exercised by voting in person at the Annual Meeting or by timely delivery of a properly executed, later-dated proxy card or a written revocation of his or her proxy. A later-dated proxy card or written revocation must be received before the Annual Meeting by the Corporate Secretary of the Company, at 112 Bridge Street, P.O. Box 460, Naugatuck, CT 06770-0460, or it must be delivered to the Corporate Secretary of the Company at the Annual Meeting before proxies are exercised. You may also revoke your proxy by submitting a new proxy via the Internet at [www.proxyvote.com](http://www.proxyvote.com), or by a later telephone vote, no later than 11:59 p.m. Eastern Time on April 30, 2019. Attendance at the Annual Meeting does not, without further action, revoke the appointment of a proxy; however, it may be revoked either by giving notice of revocation or voting in person at the Annual Meeting before your proxy is exercised.

The Common Shares are listed under the ticker symbol "EML" on The NASDAQ Stock Market LLC ("NASDAQ").

Solicitation of Proxies

The cost of solicitation of proxies will be borne by the Company. On approximately March 14, 2019, we mailed a Notice of internet availability of Proxy Materials advising our shareholders that they could view all of the proxy

materials online or request a paper or e-mail copy of the proxy materials. This online access format expedites the delivery of materials, reduces printing and postage costs and reduces the environmental impact of our Annual Meeting.

You may receive a paper or e-mail copy of the proxy materials free of charge by requesting a copy through one of the following methods:

- 1) BY INTERNET: [www.proxyvote.com](http://www.proxyvote.com)
- 2) BY TELEPHONE: 1-800-579-1639
- 3) BY E-MAIL: [sendmaterial@proxyvote.com](mailto:sendmaterial@proxyvote.com)

## Voting at the Annual Meeting

Except in the case of a contested election, directors will be elected by a majority of the votes cast by the shares entitled to vote in the election of directors at the annual meeting of shareholders at which a quorum is present. Consequently, a nominee will be elected as a director if the votes cast for the nominee's election as a director exceed the votes cast against such nominee's election as a director. However, in a contested election, directors will be elected by a plurality of the votes cast at the annual meeting of shareholders. An election will be considered to be contested if, as of the record date for the annual meeting of shareholders, there are more nominees for election to the Board of Directors than there are positions on the Board of Directors to be filled by election at the annual meeting. Because the election of directors at this year's Annual Meeting is not a contested election, a nominee for election as a director at the Annual Meeting will be elected if the votes cast for the nominee exceed the votes cast against the nominee.

If a director is subject to reelection in an uncontested election by a majority of the votes cast, but a majority of the votes are cast against his or her reelection, then the Board will request that the director tender his or her resignation. The Board will nominate for election or reelection as a director only those candidates who agree to tender, promptly following the annual meeting of shareholders at which they are elected or reelected as a director, irrevocable resignations that will be effective upon: (a) their failure to receive the required vote at the annual meeting of shareholders at which they face reelection; and (b) the acceptance of such resignation by the Board. In addition, the Board will fill vacancies on the Board and new directorships only with candidates who agree to tender, promptly following their appointment to the Board, the same form of resignation tendered by other directors. If an incumbent director fails to receive the required vote for reelection, the Board will act on an expedited basis to determine whether to accept or reject the director's resignation. A director whose resignation is under consideration must abstain from participating in any decision regarding that resignation.

Each matter to be acted upon at the Annual Meeting other than the election of directors will be approved if the votes cast in favor of the matter exceed the votes cast opposing the matter.

An abstaining vote or a broker "non-vote" is considered to be present for purposes of determining a quorum but is not deemed to be a vote cast. A broker "non-vote" occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that item and has not received instructions from the beneficial owner. As a result, abstentions and broker "non-votes" are not included in the tabulation of the voting results for the election of directors or the other matters to be acted on at the Annual Meeting, each of which requires the approval of a majority of the votes cast, and therefore do not have the effect of votes of opposition in such tabulations.

The Board of Directors recommends voting:

FOR the election of Mr. Fredrick D. DiSanto, Mr. John W. Everets, Mr. Charles W. Henry, Mr. Michael A. McManus, Jr., Mr. James A. Mitarotonda, Mrs. Peggy B. Scott and Mr. August M. Vlak as directors.

FOR the approval of the compensation of the named executive officers.

FOR the ratification of the appointment of Fiondella, Milone & LaSaracina LLP as the Company's independent registered public accounting firm for the 2019 fiscal year.

Item No. 1

## ELECTION OF DIRECTORS

At the Annual Meeting, seven directors will be elected to serve for one-year terms, which expire in 2020 or until his or her successor is duly elected and qualified. Mr. Fredrick D. DiSanto, Mr. John W. Everets, Mr. Charles W. Henry, Mr. Michael A. McManus, Jr., Mr. James A. Mitarotonda, Mrs. Peggy B. Scott and Mr. August M. Vlak, are the Company's nominees for election at the Annual Meeting. Six of the nominees are current directors whose terms expire in 2019. On February 25, 2019, Mrs. Scott was nominated as a director for election at the Annual Meeting by the Nominating and Corporate Governance Committee.

Unless otherwise specified in your proxy, the persons with power of substitution named in the proxy card will vote your shares FOR the Company's nominees. If a nominee is unable or unwilling to accept nomination, the proxies will be voted for the election of such other person as may be recommended by the Board. However, the Board has no reason to believe that the Company's nominees will be unavailable for election at the Annual Meeting. Approval of this resolution requires the affirmative vote of a majority of the votes duly cast by the Common Shares represented at the Annual Meeting that are entitled to vote on the matter.

The Board of Directors recommends a vote FOR the election of Mr. Fredrick D. DiSanto, Mr. John W. Everets, Mr. Charles W. Henry, Mr. Michael A. McManus, Jr., Mr. James A. Mitarotonda, Mrs. Peggy B. Scott and Mr. August M. Vlak as directors.

Each director has furnished the biographical information set forth below with respect to his or her present principal occupation, business and other affiliations. Information regarding each director's beneficial ownership of equity securities of the Company is provided under "Security Ownership" in this proxy statement. Unless otherwise indicated, each director has been employed in the principal occupation or employment listed for at least the past five years.

### Company Nominees for Election at the 2019 Annual Meeting For a one-year term expiring in 2020

Fredrick D. DiSanto, age 57, is the Chairman and Chief Executive Officer of The Ancora Group, a holding company that oversees three investment advisors, and has served in such capacities since 2014 and 2006, respectively. Mr. DiSanto was the President and Chief Operating Officer of Maxus Investment Group from 1998 until December of 2000. In January 2001, after Maxus Investment Group was sold to Fifth Third Bank, Mr. DiSanto served as Executive Vice President and Manager of Fifth Third Bank's Investment Advisor Division.

Mr. DiSanto is an experienced public company director and has knowledge and background in finance, strategic planning, governance and international business. He currently serves as a director for Regional Brands, Inc. and Edgewater Technology, Inc. (which merged into Alithya Group) and previously served on the respective Boards of Directors of Axia Net Media Corporation and LNB Bancorp, Inc.

Mr. DiSanto has served as a director of the Company since 2016. Mr. DiSanto is Chairman of the Audit and the Pension Investment Review Committees and serves on the Executive Committee.

John W. Everets, age 72, has been a Partner in Arcturus Capital LLC, Boston since 2016. Mr. Everets was the Chairman and Chief Executive Officer of SBM Financial in Portland, Maine, from May 2010 until October 2016. Mr. Everets was also Chairman and Chief Executive Officer of The Bank of Maine from May 2010 until October 2016.

Mr. Everets' directorships at public companies in the past five years include Independent Director at Medallion Financial Corp. (since 2017) and The Bank of Maine (2010 to 2015), which merged into Camden National Bank. Mr. Everets also serves on the Board of Directors of Newman's Own Foundation. Mr. Everets is a former director of Financial Security Assurance, FSA, Dairy Mart and The Martin Currie Business Trust Edinburgh.

Mr. Everets has served as a director of the Company since 1993 and brings to the Board extensive knowledge of the Company's business. Mr. Everets serves on the Audit, Compensation, Pension Investment Review, and Nominating and Corporate Governance Committees.

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Charles W. Henry, age 69, is an attorney and partner with the law firm Henry & Federer, LLP located in Woodbury, Connecticut.

Mr. Henry brings to the Board of Directors extensive knowledge of the Company's business. Mr. Henry's independent legal expertise is valuable to the Company if and when matters of law or regulation arise in the normal course of the Company's businesses. His law firm does not provide any services to the Company.

Mr. Henry has served as a director of the Company since 1989. Mr. Henry serves on the Audit, Compensation, Executive, Pension Investment Review, and Nominating and Corporate Governance Committees.

Michael A. McManus, Jr., age 76, is the former Chairman, President and Chief Executive Officer of Misonix, Inc., a publicly traded medical device company. Mr. McManus previously served as President of New York Bankcorp, a New York Stock Exchange company, until its sale in 1998. Earlier, he served as President of Jamcor Pharmaceuticals, as a Vice President of strategic planning at Pfizer, and as an executive vice president of MacAndrews and Forbes, Revlon, Inc., and Pantry Pride.

Mr. McManus is an experienced public company director and has expertise in financial matters, sales and marketing, strategic acquisitions, government relations and international business matters. Mr. McManus' directorships at public company in the past five years include director of Novavax, Inc. (since 1998), a vaccine company. He previously served on the respective Boards of Directors of the Communications Satellite Corporation, Arrhythmia Research Technology, Inc., National Wireless Holdings, American Home Mortgage, A. Schulman, Inc. and Guest Services, Inc.

Mr. McManus has been a director of the Company since 2015. Mr. McManus is the Chairman of the Company's Compensation Committee and also serves on the Audit, Executive, and Nominating and Corporate Governance Committees.

James A. Mitarotonda, age 64, has served as the Chairman of the Board, President and Chief Executive Officer of Barington Capital Group, L.P., an investment firm, since 1991. Mr. Mitarotonda is an experienced public company director. Mr. Mitarotonda currently serves as director at OMNOVA Solutions Inc. since 2015. Mr. Mitarotonda's directorships at public companies in the past five years include director for Pep Boys - Manny, Moe & Jack from 2006 to 2016; A. Shulman Inc. from 2005 to 2018; Ebix, Inc. for 2015 and The Jones Group, Inc. from 2013 to 2014. Mr. Mitarotonda also served as the Chairman of Barington/Hilco Acquisition Corp. from 2015 to 2018 and was its Director from 2014 to 2018. Mr. Mitarotonda serves as a member of the Board of Trustees for Queens College.

Mr. Mitarotonda has served as a director of the Company since 2015. The Board appointed Mr. Mitarotonda to serve as Chairman of the Board, effective January 2016. Mr. Mitarotonda is the Chairman of the Nominating and Corporate Governance Committee, and he also serves on the Compensation and Executive Committees.

Peggy B. Scott, age 67, has been the Chairperson of the Board of Cleco Corporate Holdings LLC (NASDAQ: CNL), a public utility holding company, since April 2016. She also served as Interim Chief Executive Officer of Cleco Group LLC and Cleco Corporate Holdings LLC from February 2017 until January 2018.

Previously, Mrs. Scott served as the Executive Vice President, Chief Operating Officer, Chief Financial Officer and Treasurer of Blue Cross Blue Shield of Louisiana (BCBS) from 2005 to 2015, and as Chief Strategy Officer from 2005-2012, overseeing growth strategies and operational performance in challenging markets. Prior to working at BCBS, Mrs. Scott served as Executive Vice President of U. S. and International Operations and Chief Financial



Officer at Pan-American Life Insurance guiding operations in seven foreign countries. She also was Executive Vice President of Corporate Operations and Chief Financial Officer at Novant Health and General Health. Earlier, Mrs. Scott was an office Managing Partner with Deloitte, a global public accounting firm, advising diverse companies, including manufacturers and industrial companies.

Mrs. Scott has served as a director of the Blue Cross Blue Shield of Louisiana Foundation, since 2006, and former Chairperson and President. She has also been a member of the Advisory Board of ClearData Networks, Inc., a provider of cloud computing and security services, since March 2017. She has served as a Senior Fund Advisor and as a member of the Advisory Board of Health Catalyst Capital Management LLC, a private equity fund, since March 2016.

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Mrs. Scott is a Certified Public Accountant (CPA) and a Chartered Global Management Accountant (CGMA). She is also Certified in Valuations (ABV and CVA) and Financial Forensics (CFF). She holds a Professional Director Certification from the American College of Corporate Directors. She also holds an MBA from Tulane University and a B.S. in accounting from Louisiana State University. Mrs. Scott was nominated as a director on February 25, 2019 by the Nominating and Corporate Governance Committee and is a nominee for election to the Board at the Annual Meeting.

The Board believes Mrs. Scott is qualified to serve as a director based upon, among other things, her prior senior executive, strategy, operations, financial and board experience, which provides her with valuable knowledge and expertise in the areas of board governance, growth strategies, acquisitions, international business, accounting, finance, customer service, risk management and security.

August M. Vlak, age 52, was appointed President and Chief Executive Officer of the Company on January 1, 2016. From 2012 to 2015, Mr. Vlak served as a former senior advisor to Barington Capital Group, L.P. Prior to that, he was a partner at Katzenbach Partners, a senior advisor at Booz & Company, and a consultant at McKinsey & Company. At his prior positions, Mr. Vlak's work focused on growth strategy and operational performance improvement at more than 50 companies, including leading domestic and global industrial enterprises. Mr. Vlak has served as a director since 2017.

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Item No. 2

**ADVISORY VOTE ON THE COMPENSATION OF THE NAMED EXECUTIVE OFFICERS**

We are asking our shareholders to cast a non-binding advisory vote to approve the compensation of our named executive officers (each a "named executive officer" and collectively, the "named executive officers") described in the Compensation Discussion and Analysis and in the tabular and accompanying narrative disclosure regarding named executive officer compensation. We encourage you to read the Compensation Discussion and Analysis and the tables and narratives beginning on page 18 for the 2018 compensation of our named executive officers.

As required by Section 14A(a)(1) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), our shareholders are entitled to vote at the Annual Meeting to approve the compensation of the Company's named executive officers, as disclosed in this proxy statement, pursuant to Item 402 of Regulation S-K ("Say-on-Pay Vote"). At our 2017 annual meeting of shareholders held on May 3, 2017, an advisory vote was held on the frequency of the Say-on-Pay Vote. In such vote, the Company's shareholders voted to hold an advisory vote on the compensation of the Company's named executive officers once every year.

We believe that the compensation of our named executive officers for 2018 was consistent with our compensation philosophy and our performance described in the Compensation Discussion and Analysis. We are asking our shareholders to indicate their support for our named executive officers' compensation arrangements as described in this proxy statement. The vote is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officers described in this proxy statement.

While our Board values the opinions expressed by shareholders and intends to carefully consider the result of the shareholder vote on this proposal, the vote is an advisory vote only, and is not binding on the Company, the Board of Directors or the Compensation Committee. In considering the outcome of this advisory vote, the Board will review and consider all shares voted in favor of the proposal and not in favor of the proposal. Abstentions and broker non-votes will have no impact on the outcome of this advisory vote.

The Board recommends that shareholders approve the 2018 compensation of our named executive officers as disclosed in the Compensation Discussion and Analysis, and in the tabular and accompanying narrative disclosure of this proxy statement by voting FOR the following resolution:

RESOLVED, that the 2018 compensation paid to the Company's named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion, is hereby APPROVED, on a non-binding advisory basis. Proxies will be voted FOR approval of the proposal unless otherwise specified.

The Board of Directors recommends a vote FOR the approval of the 2018 compensation of our named executive officers as disclosed in this proxy statement pursuant to Item 402 of Regulation S-K.

## Item No. 3

## RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The firm of Fiondella, Milone & LaSaracina LLP acts as our principal independent registered public accounting firm. The services of Fiondella, Milone & LaSaracina LLP for the fiscal year ended December 29, 2018 included an audit of the consolidated financial statements of the Company; assistance in connection with filing the Company's Annual Report on Form 10-K with the Securities and Exchange Commission (the "SEC"); assistance on financial accounting and reporting matters; preparation of state and federal tax returns; audits of employee benefit plans; and meetings with the Audit Committee.

It is the policy of our Audit Committee to approve all audit and acceptable non-audit engagements provided by the independent registered public accounting firm regarding the scope of the services provided by the independent registered public accounting firm. These services may include audit, audit-related, tax and other services. The independent registered public accounting firm and management are required to report to the Audit Committee regarding the extent of services provided by the independent registered public accounting firm in accordance with this policy.

The Audit Committee has recommended, and the Board has approved, continuing the services of Fiondella, Milone & LaSaracina LLP for the 2019 fiscal year. Accordingly, the Board recommends that shareholders vote at the Annual Meeting FOR the appointment of Fiondella, Milone & LaSaracina LLP to audit the consolidated financial statements of the Company for the 2019 year.

The proposal to appoint Fiondella, Milone & LaSaracina LLP as the Company's independent registered public accounting firm will be approved if, at the Annual Meeting at which a quorum is present, the votes cast in favor of the proposal exceed the votes cast opposing the proposal.

Representatives of Fiondella, Milone & LaSaracina LLP will be present at the Annual Meeting and will have an opportunity to make a statement, if they desire to do so, and will be available to respond to questions.

All fees related to audit services described below were approved in advance by our Audit Committee.

	2018	2017
Audit Fees – Annual & quarterly reviews	\$405,000	\$420,000
Audit-Related Fees – Employee Benefit Plans	\$51,000	\$51,223
Tax Fees – Federal and State Return preparation	\$77,857	\$32,623
Other Fees – Non-audit services	\$6,000	\$71,446

**Audit Fees:** Audit fees paid to Fiondella, Milone & LaSaracina LLP include fees associated with the annual audit and the reviews of the Company's quarterly reports on Form 10-Q for the quarters ended March 31, 2018, June 30, 2018 and September 29, 2018.

**Audit-Related Fees:** Audit-related fees paid to Fiondella, Milone & LaSaracina LLP for 2018 primarily include audits of the employee benefit plans of the Company.

**Tax Fees:** Tax fees paid to Fiondella, Milone & LaSaracina LLP for 2018 were for preparation of the 2018 federal and state income tax returns.

**All Other Fees:** All Other Fees paid to Fiondella, Milone & LaSaracina LLP for 2018 were for non-audit services.

The Board of Directors recommends a vote FOR the appointment of Fiondella, Milone & LaSaracina LLP as the Company's independent registered public accounting firm for the 2019 fiscal year.

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## AUDIT COMMITTEE FINANCIAL EXPERT

The Board of Directors has determined that all audit committee members are financially literate and are independent under the current listing standards of NASDAQ. The Board has also determined that Fredrick D. DiSanto, John W. Everets and Michael A. McManus, Jr. qualify as "audit committee financial experts" as defined by SEC rules adopted pursuant to the Sarbanes-Oxley Act of 2002.

## REPORT OF THE AUDIT COMMITTEE

The Audit Committee oversees the Company's financial reporting process on behalf of the Board. The Board adopted a revised written charter for the Audit Committee on February 4, 2004.

Management has the primary responsibility for the financial statements and the reporting process, including the system of internal control. The independent registered public accounting firm is responsible for expressing an opinion on the conformity of those statements with generally accepted accounting principles in the United States. Within this framework, the Audit Committee has reviewed and discussed the audited financial statements included in the Annual Report on Form 10-K with the independent registered public accounting firm and management. In connection therewith, the Audit Committee reviewed with the independent registered public accounting firm their judgments as to the quality and the acceptability of the Company's accounting principles; the reasonableness of significant judgments; the clarity of disclosures in the financial statements; and other related matters as required to be discussed under generally accepted auditing standards in the United States.

In addition, the Audit Committee has discussed with the independent registered public accounting firm the independence of such firm from management and from the Company, including the matters in the written disclosures required by the Public Company Accounting Oversight Board, including Auditing Standards Nos. 1301 (Communication with Audit Committees) and the Independence Standards Board, and has considered the compatibility of non-audit services with such firm's independence.

The Audit Committee also discussed with the Company's independent registered public accounting firm the overall scope and plan for their audit, their evaluation of the Company's internal control and the overall quality of the Company's financial reporting. The Audit Committee held five meetings with the Company's independent registered public accounting firm, both with and without management present, during fiscal year 2018.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board that the audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 29, 2018 for filing with the SEC. The Audit Committee has recommended, and the Board of Directors has approved, subject to shareholder ratification, the selection of Fiondella, Milone & LaSaracina LLP as the Company's independent registered public accounting firm for the 2019 fiscal year.

Audit Committee:

Fredrick D. DiSanto, Chairman  
Charles W. Henry  
John W. Everets  
Michael A. McManus, Jr.

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information, as of March 1, 2019, (unless a different date is specified in the notes to the table), with respect to (i) each person known by the Board to be the beneficial owner of more than 5% of the Company's outstanding Common Shares, (ii) each current director of the Company and nominee to be a director of the Company, (iii) each of the named executive officers (as hereinafter defined) and (iv) all directors, nominees and executive officers of the Company as a group. Except as set forth below, the Company knows of no person or group that beneficially owns 5% or more of the outstanding shares. Unless set forth in the following table, the address of each shareholder is c/o The Eastern Company, 112 Bridge Street, Naugatuck, Connecticut 06770-0460.

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership (a)	Percent of Class (b)
Common Stock	GAMCO Investors, Inc. (c) One Corporate Center Rye, NY 10580	1,105,474	17.74%
Common Stock	Barington Capital Group, L.P. (d) 888 Seventh Avenue, 17 <sup>th</sup> Floor New York, NY 10019	575,703	9.24%
Common Stock	Dimensional Fund Advisors LP (e) Building One 6300 Bee Cave Road Austin, TX 78746	418,503	6.72%
Common Stock	Minerva Advisors LLC (f) 50 Monument Road, Suite 201 Bala Cynwyd, PA 19004	359,251	5.77%
Common Stock	Fredrick D. DiSanto (g)	54,582	0.88%
Common Stock	John W. Everets	116,842	1.88%
Common Stock	Charles W. Henry	62,762	1.01%
Common Stock	James A. Mitarotonda (i)	582,632	9.35%
Common Stock	Michael A. McManus, Jr.	10,665	0.17%
Common Stock	Peggy B. Scott (i)	0	0.00%
Common Stock	John L. Sullivan III (j)	31,556	0.51%
Common Stock	August M. Vlak (k)	15,598	0.25%
Common Stock	All directors, nominees and executive officers as a group (8 persons)(l)	874,637	14.04%

(a) The SEC has defined "beneficial owner" of a security to include any person who has or shares voting power or investment power with respect to any such security or who has the right to acquire beneficial ownership of any

such security within 60 days. Unless otherwise indicated, the amounts owned reflect direct beneficial ownership and the person indicated has sole voting and sole investment power with respect to the shares indicated as beneficially owned. As of March 1, 2019, there were 6,231,409 Common Shares outstanding.

Amounts shown include the number of Common Shares (if any) subject to outstanding options or stock appreciation rights granted under the Company's 2010 Executive Stock Incentive Plan (the "2010 Plan") that are exercisable within 60 days.

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Reported shareholdings include, in certain cases, shares owned by or in trust for a director or nominee, and in which all beneficial interest has been disclaimed by the director or the nominee.

The percentages shown for the directors and executive officers are calculated on the basis that outstanding shares (b) include Common Shares (if any) subject to outstanding options or stock appreciation rights under the Company's 2010 Plan that are exercisable by the directors and officers within 60 days.

Based on information set forth in Amendment No. 8 to Schedule 13D filed with the SEC on April 7, 2017 by Gabelli Funds, LLC, GAMCO Asset Management Inc., Gabelli Foundation, Inc., Teton Advisors, Inc., GGCP, Inc., GAMCO Investors, Inc. ("GAMCO Investors"), Associated Capital Group, Inc. ("AC Group"), and Mario J. Gabelli with the SEC. Gabelli Funds, LLC is an investment adviser registered under the Investment Advisers Act of 1940, as amended (the "Advisers Act"), which provides advisory services for a variety of investment funds, investment companies, investment trusts and other investment entities. GAMCO Asset Management Inc., a wholly-owned subsidiary of GAMCO Investors, is an investment adviser registered under the Advisers Act that is an investment manager providing discretionary managed account services for employee benefit plans, private investors, endowments, foundations and others. Gabelli Foundation, Inc. is a private foundation for which Mario Gabelli is the Chairman, a Trustee and the Investment Manager and Elisa M. Wilson is the President. Teton Advisors, Inc. is an investment adviser registered under the Advisers Act that provides discretionary advisory (c) services to The TETON Westwood Mighty Mitessm Fund, The TETON Westwood Income Fund, The TETON Westwood SmallCap Equity Fund, and The TETON Westwood Mid-Cap Equity Fund. GGCP, Inc. makes investments for its own account and is the manager and a member of GGCP Holdings LLC, which is the controlling shareholder of GAMCO Investors and AC Group. GAMCO Investors, a public company listed on the New York Stock Exchange, is the parent company for a variety of companies engaged in the securities business. AC Group, a public company listed on the New York Stock Exchange, is the parent company for a variety of companies engaged in the securities business. Mario J. Gabelli acts as chief investment officer or directly or indirectly controls various entities, including the aforementioned entities, that are engaged in various aspects of the securities business, primarily as investment adviser to various institutional and individual clients, including registered investment companies and pension plans, and as general partner or the equivalent of various private investment partnerships or private funds. Certain of these entities may also make investments for their own accounts.

Based on information set forth in Form 4 filed with the SEC on December 26, 2018 by Mr. Mitarotonda, Barington Capital Group, L.P. is deemed to have beneficial ownership of 575,703 Common Shares. Mr. Mitarotonda beneficially owns 4,591 Common Shares granted to him under The Eastern Company's Directors Fee Program. He may also be deemed to beneficially own 575,703 Common Shares beneficially owned by Barington Companies (d) Equity Partners, L.P. ("BCEP"). Mr. Mitarotonda is the sole stockholder and director of LNA Capital Corp ("LNA"). LNA is the general partner of Barington Capital Group, L.P., which is the majority member of Barington Companies Investors, LLC ("BCI"). BCI is the general partner of BCEP. Mr. Mitarotonda disclaims beneficial ownership of the shares beneficially owned by BCEP except to the extent of his pecuniary interest therein.

(e) Based on information set forth in Amendment No. 6 to Schedule 13G filed with the SEC on February 8, 2019 by Dimensional Fund Advisors LP ("Dimensional"), an investment adviser registered under Section 203 of the Advisers Act. Dimensional furnishes investment advice to four investment companies registered under the Investment Company Act of 1940, as amended, and serves as investment manager or sub-adviser to certain other commingled funds, group trusts and separate accounts (such investment companies, trusts and accounts, collectively referred to as the "Dimensional Funds"). In certain cases, subsidiaries of Dimensional may act as an adviser or sub-adviser to certain Dimensional Funds. In its role as investment advisor, sub-adviser and/or manager, Dimensional or its subsidiaries (collectively, "Dimensional") may possess voting and/or investment power over the Common Shares that are owned by the Dimensional Funds, and may be deemed to be the beneficial owner of the

Common Shares held by the Dimensional Funds. However, all Common Shares are owned by the Dimensional Funds, and Dimensional disclaims beneficial ownership of such Common Shares.

- Based on information set forth in Amendment No. 3 to Schedule 13G filed with the SEC on February 13, 2018 by Minerva Advisors LLC, Minerva Group, LP, Minerva GP, LP, Minerva GP, Inc., and David P. Cohen. Each of Minerva Advisors LLC, Minerva Group, LP, Minerva GP, LP, Minerva GP, Inc., and
- (f) David P. Cohen is deemed a beneficial owner of the 214,985 Common Shares held by Minerva Group, LP. David P. Cohen is the beneficial owner of the 2,250 Common Shares that he owns individually and is also deemed a beneficial owner of the 357,001 Common Shares beneficially owned by Minerva Advisors LLC.

(g) Mr. DiSanto's shareholdings include direct ownership of 9,064 Common Shares and shared voting power and investment power over an additional 43,797 Common Shares over which he has indirect beneficial ownership.

(h) Mr. Mitarotonda's shareholdings include direct ownership of 4,591 Common Shares and has shared voting or investment power over an additional 575,703 Common Shares held by Barington Capital Group, L.P., over which he may have indirect beneficial ownership.

(i) Mrs. Scott was nominated as a director on February 25, 2019 by the Nominating and Corporate Governance Committee. Mrs. Scott is a nominee for election to the Board at the Annual Meeting.

(j) Mr. Sullivan's security ownership includes 2,291 Common shares underlying stock appreciation rights granted on March 2, 2017 that became exercisable on February 1, 2018 and February 1, 2019.

(k) Mr. Vlask's security ownership includes 4,582 Common Shares underlying stock appreciation rights granted on March 2, 2017 that became exercisable on February 1, 2018 and February 1, 2019.

(l) Unless otherwise indicated, directors, nominees and named executive officers have sole voting and investment power as to 874,637 shares (14.04% of the outstanding stock).

#### SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires the Company's directors and officers, and persons who beneficially own more than 10% of a registered class of the Company's equity securities, to file reports of ownership and changes in ownership with the SEC. SEC regulations require the Company's directors, officers and 10% beneficial owners to furnish the Company with copies of all Section 16(a) reports that they file. Based on a review of the copies of such reports and written representations from certain reporting persons that no such reports were required for those persons, the Company believes that all reports for the Company's directors, officers and 10% beneficial owners that were required to be filed under Section 16 during the fiscal year ended December 29, 2018 were timely filed.

## THE BOARD OF DIRECTORS AND COMMITTEES

The Board is committed to sound corporate governance practices and believes that our current corporate governance practices enhance the Company's ability to achieve its goals and enable the Board to govern the Company with the highest standards of integrity. In 2018, the Board adopted new Board Governance Guidelines that codify its practices. The Board Governance Guidelines, the Company's Code of Business Conduct and Ethics, as adopted by the Board on February 4, 2004 and the charters of our Executive, Audit, Compensation, Nominating and Corporate Governance and Pension Investment Review Committees are available for review at the Company website at [www.easterncompany.com](http://www.easterncompany.com).

The current leadership structure of the Board allows it to perform its duties effectively and efficiently considering the relatively small size of the Company. In 2018, the Board held ten meetings. All six current Directors attended more than 75% of the meetings held.

The Board of Directors conduct annual self-evaluations to assess the effectiveness, processes, skills, functions and other matters relevant to the Board as a whole or to each particular committee. Results of the evaluations are summarized and discussed at Board and committee meetings for the purpose of improving the effectiveness of the Board and committees.

Because of the Company's diversified engineering, manufacturing and marketing activities, risk oversight responsibilities are focused generally on the Board's overall assessment of broad and general business and economic conditions in the market sectors in which the Company operates. With Board oversight, the executive management team's planning and review and extensive Sarbanes-Oxley compliance testing of internal controls substantiates the credibility of the Company's financial reporting and operating controls.

The Board is provided with detailed and timely financial and operating communications, including the nature of significant capital projects as well as other important business matters indicating business trends and economic projections that might affect the Company's businesses.

### Board's Role in Company Strategy and Leadership

The Board has an active role in the Company's overall strategies. Each year, the Board conducts a comprehensive, in-depth review of the Company's long-term strategy and annual operating plan and actively monitors and reviews management's progress in executing both throughout the year. In addition, throughout the year the Board conducts individual segment strategy reviews with segment leadership.

The Board recognizes that one of its most important duties is to endure continuity in the Company's senior leadership by overseeing the development of executive talent and planning for the effective succession of the Company's CEO and the executive leadership team. In order to ensure that the succession planning and leadership development process supports and enhances the Company's strategic objectives, the Board regularly consults with the CEO on the Company's organizational needs, its leadership pipeline and the succession plans for critical leadership positions.

### The Role of the Board in Corporate Social Responsibility

Corporate social responsibility is deeply ingrained in our work, and has been for over a century. Our businesses are committed to solving customers' complex safety and security challenges. Every day, the products that our businesses design and manufacture protect people who use them from injury and safeguard property against damage or loss. We

know that our first obligation is to the people who come to work at each of our businesses, and we are committed to our goal of zero reportable accidents. The Board conducts an annual review of the health and safety of our employees. Finally, our businesses seek to minimize their environmental impact and embrace sustainable material recycling practices in our operations.

#### Board Committees

The Company's Board of Directors has five standing committees: the Executive Committee, Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee and Pension Investment Review Committee. Each committee is composed of four independent Directors with the exception of the Executive Committee, which has three members.

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The President and Chief Executive Officer is not a member of the Executive Committee, Audit, Compensation, and Nominating and Corporate Governance Committees.

**Executive Committee.** The Executive Committee, acting with the full authority of the Board of Directors, approves minutes, monthly operating reports, capital expenditures, banking matters, and other issues requiring immediate attention when the Board is not in session. The members of the Executive Committee include Charles W. Henry, Michael A. McManus, Jr. and James A. Mitarotonda. In 2018, the Executive Committee did not meet.

**Audit Committee.** The Audit Committee advises the Board of Directors and provides oversight on matters relating to the Company's financial reporting process, accounting functions and internal controls, and the qualifications, independence, appointment, retention, compensation and performance of the Company's independent registered public accounting firm. The Audit Committee also provides oversight with respect to legal compliance, ethics programs, and cyber risk management. The members of the Audit Committee include Fredrick D. DiSanto, John W. Everets, Charles W. Henry and Michael A. McManus, Jr. During 2018, the Audit Committee held five meetings.

**Compensation Committee.** The Compensation Committee is responsible for establishing basic management compensation, incentive plan goals, and all related matters, as well as determining stock incentive grants to employees. The Board adopted the charter of the Compensation Committee on December 13, 2006. The members of the Compensation Committee include John W. Everets, Charles W. Henry, Michael A. McManus, Jr. and James A. Mitarotonda. During 2018, the Compensation Committee held five meetings.

**Nominating and Corporate Governance Committee.** The Board adopted the charter of the Nominating and Corporate Governance Committee on May 21, 2015. As defined by the rules and regulations of NASDAQ, the independent members of the Board include all of the members of the Board other than the President and Chief Executive Officer. The independent directors select and recommend to the Board the nomination of individuals for election to the Board. The members of the Nominating and Corporate Governance Committee include John W. Everets, Charles W. Henry, Michael A. McManus, Jr. and James A. Mitarotonda. During 2018, the Nominating and Corporate Governance Committee held four meetings.

**Pension Investment Review Committee.** In 2017, the Board established the Pension Investment Review Committee and adopted the Committee's charter. The committee is responsible for reviewing the Company's qualified retirement plans. The members of the Pension Investment Review Committee include Fredrick D. DiSanto, John W. Everets, Charles W. Henry and August M. Vlak. The Pension Investment Review Committee held four meetings in 2018.

## Board Composition

Each member of the Board must have the ability to apply sound business judgment and must be able to exercise his or her duties of loyalty and care. Candidates for the position of director must exhibit proven leadership capabilities and high integrity, exercise high level responsibilities within their chosen careers, and have an ability to quickly grasp complex principles of business and finance. In general, candidates will be preferred to the extent they hold an established executive level position in business, finance, law, education, research, government or civic activities. When current members of the Board of Directors are considered for nomination for reelection, their prior contributions to the Board of Directors, their performance and their meeting attendance records are taken into account.

With the aim of developing a diverse, experienced and highly-qualified Board of Directors, the Nominating and Corporate Governance Committee is responsible for developing and recommending to the Board the desired qualifications, expertise and characteristics of members of the Board, including qualifications that the Nominating and Corporate Governance Committee believes are necessary for one or more of the members of the Board to possess.

Since selecting qualified directors requires consideration of many factors and will be influenced by the particular needs of the Board from time to time, the Board has not adopted a specific set of minimum qualifications, qualities or skills that are necessary for a nominee to possess, other than those that are necessary to meet U.S. legal, regulatory and NASDAQ listing requirements and the provisions of our Certificate of Incorporation, Bylaws, and charters of the Board Committees. When considering nominees, the Nominating and Corporate Governance Committee takes into consideration many factors, including a candidate's independence, integrity, skills, financial and other expertise, experience, knowledge about our business or the

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industries in which we operate and ability to devote adequate time and effort to responsibilities of the Board. The brief biographical description of each director set forth in Item 1 of this Proxy Statement includes the individual experience, qualifications, attributes and skill of each Director that led to the conclusion that each director should serve as a member of our Board.

The Board does not have a formal or informal policy with respect to diversity but believes that the Board, taken as a whole, should embody a diverse set of skills, knowledge, experiences and backgrounds appropriate in light of the Company's needs, and in this regard also subjectively takes into consideration the diversity (with respect to race, gender and national origin) of the Board when considering director nominees. As part of its commitment to increase diversity on its Board of Directors, the Governance and Nominating Committee of the Board is nominating Mrs. Scott to serve as a director of the Company in 2019 and intends to nominate at least one additional female Director in 2020.

Pursuant to the Company's Corporate Governance Guidelines, the Board examines whether the role of Chairman and Chief Executive Officer should be combined and may determine to separate or combine the offices of Chairman and CEO as it deems appropriate. Since January 1, 2016, the Company has separated the positions of Chairman of the Board and Chief Executive Officer. The Board of Directors believe that having a separate Chairman allows the Chief Executive Officer to focus on the day-to-day management of the Company while enabling the Board of Directors to maintain an independent perspective on the activities of the Company and executive management.

#### Director Nomination Process

The Nominating and Corporate Governance Committee considers director nominees who are identified by the directors, by the shareholders, or through another source. The Nominating and Corporate Governance Committee may also use the services of a third party search firm to assist in the identification or evaluation of Director candidates, as the committee deems necessary or appropriate.

Shareholders wishing to submit the names of qualified candidates for possible nomination to the Nominating and Corporate Governance Committee may make such a submission by sending the information described in the Company's Bylaws to the Board (in care of the Secretary of the Company). This information generally must be submitted not more than 90 days nor less than 60 days prior to the first anniversary of the preceding year's annual meeting of shareholders.

The Nominating and Corporate Governance Committee will make a preliminary assessment of each proposed nominee based upon his or her resume and biographical information, the individual's willingness to serve as a director, and other background information. When considering nominees, the Nominating and Corporate Governance Committee takes into consideration many factors, including a candidate's independence, integrity, skills, financial, diversity and other expertise, experience, knowledge about our business or the industries in which we operate and ability to devote adequate time and effort to responsibilities of the Board. This information is evaluated against the criteria described above and the specific needs of the Company at the time. Based upon a preliminary assessment of the candidate(s), those who appear best suited to meet the needs of the Company may be invited to participate in a series of interviews, which are used as a further means of evaluating potential candidates. On the basis of information learned during this process, the Nominating and Corporate Governance Committee will determine which nominee(s) they will recommend for election to the Board of Directors. The Nominating and Corporate Governance Committee use the same process for evaluating all nominees, regardless of the original source of the nomination.

#### Board Independence



The Board is currently composed of six members, five of whom are independent. Our Corporate Governance and Nominating Committee conducts an annual review and makes a recommendation to the full Board as to whether each of our directors meets the applicable independence standards of the NASDAQ Marketplace Rule 4200(a)(15). In accordance with the NASDAQ standards, our Board of Directors has adopted categorical standards for director independence, including heightened standards applicable to members of our Audit and Compensation Committees. A director will not be considered independent unless the Board of Directors determines that the director has no material relationship with the Company (directly, or a partner, stockholder or officer of an organization that has a material relationship with the Company). The Board has determined that each of the current directors, except August M. Vlak, has no material relationship with the Company other than as a director and is independent within the listing standards of the NASDAQ. In making its independence determinations, the Board of Directors has broadly considered all relevant facts and circumstances.

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## Summary of Annual Director Compensation

During fiscal year 2018, the Company paid non-employee directors individually in common shares of the Company (Company Shares) or cash as follows: the annual retainer for the chairman of the board is \$60,000; for directors it is \$30,000; the chairman of the Audit Committee received an additional \$10,000; the chairman of the Compensation Committee received an additional \$7,500; the chairman of the Pension Investment Review Committee received an additional \$5,000; and chairman of the Nominating and Governance Committee received an additional \$2,000. In addition to the annual retainer fee, all non-employee directors were compensated for all meetings in addition to the Board's six regularly scheduled meetings as follows: \$1,500 for each in-person meeting and \$500 for each telephonic meeting.

The Directors make an annual election, within a reasonable time before their first quarterly payment, to receive their fees in the form of cash, Company Shares or a combination of cash and Company Shares. The election remains in force for one year. Messrs. DiSanto, Everets, Henry, McManus and Mitarotonda elected to receive their director compensation in Company Shares. The Company Shares are issued under the Directors Fee Program, which was approved by our shareholders in March 26, 1997 at the 1997 Annual Meeting of Shareholders and amended and restated, with shareholder approval, in 2004.

The Company does not maintain a minimum share ownership requirement for any Director.

## DIRECTOR COMPENSATION IN FISCAL 2018

Name (1)	Fees Earned or Paid in Cash (\$)(2)	Stock Awards (\$)	Option Awards (\$)	Non-equity Incentive Plan Compensation (\$)	Change in pension value and nonqualified deferred compensation earnings (\$)	All Other Compensation (\$)(3)	Total
Fredrick D. DiSanto	\$ 47,490					\$ 258	\$57,748
John W. Everets	32,506					-	32,506
Charles W. Henry	32,503					762	33,265
Michael A. McManus, Jr.	40,001					-	40,001
James A. Mitarotonda	64,491					396	64,887

(1) This table discloses the compensation received by all non-employee directors who served as a director in 2018.

(1) Mr. Vlak did not receive any compensation for his service as a director of the Company.

(2) The amounts listed could include adjustments for fractional shares from previous periods. All Fees paid in newly issued stock of the Company.

(3) All non-employee directors are provided a life insurance benefit. Messrs. DiSanto, Henry and Mitarotonda have a \$50,000 benefit and Mr. Everets and Mr. McManus have a \$25,000 benefit. The life insurance benefit is reduced after age 70-1/2.

For information on compensation for Mr. Vlak, a director and the Chief Executive Officer of the Company, see the executive compensation tables beginning on page 23.

## POLICIES AND PROCEDURES CONCERNING RELATED PERSONS TRANSACTIONS

Our Code of Business Conduct and Ethics prohibits all conflicts of interest between the Company and any of its directors, officers and employees, except under guidelines approved by the Board or the Board Committees. A conflict of interest exists whenever an individual's private interests interfere or conflict in any way (or even appear to interfere or conflict) with the interests of the Company. Employees are encouraged to report any conflicts of interest, or potential conflicts of interest, to their supervisors or superiors. However, if an employee does not believe it appropriate or if he or she is not comfortable approaching his or her supervisors or superiors, then the employee may contact either the Chairman of the Audit Committee or Company counsel.

To identify related party transactions, each year the Company requires our directors and executive officers to complete a questionnaire that identifies any transaction with the Company or any of its subsidiaries in which the director or executive officer or members of his or her family have an interest. If any related party transactions are reported, the Board reviews them to determine if the potential for a prohibited conflict of interest exists. Prior to its review, the Board will require full disclosure of all material facts concerning the relationship and financial interest of the relevant individuals in the transaction. Each year, our directors and executive officers also review our Code of Business Conduct and Ethics.

The Board has determined that no transactions occurred since the beginning of 2018 involving any director, director nominee or executive officer of the Company, any known 5% shareholder of the Company or any immediate family member of any of the foregoing persons (together "related persons") that would require disclosure as a "related person transaction."

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## COMPENSATION DISCUSSION AND ANALYSIS

Our named executive officers for fiscal year 2018 were:

August M. Vlak     President and Chief Executive Officer  
John L. Sullivan III Vice President and Chief Financial Officer

### Compensation Governance

The Compensation Committee recommends to the Board 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. The Compensation Committee reviews and approves corporate goals and objectives relevant to compensation of the Company's Chief Executive Officer and other executive officers; recommends to the Board of Directors and/or the Company's Management with respect to compensation of executives other than named executive officers and administers the Company's stock plan, The Eastern Company 2010 Executive Stock Incentive Plan, and all other equity-based plans from time to time. The Compensation Committee regularly reviews, administers, and when necessary recommends changes to the Company's stock incentive and performance-based compensation plans.

The Compensation Committee is comprised of members of the Board, none of whom may be an active or retired officer or employee of the Company or any of its subsidiaries. Members of the Compensation Committee are appointed annually by the Board. Messrs. Michael A. McManus, Jr., John W. Everets, Charles W. Henry, and James A. Mitarotonda are the members of the Compensation Committee. Mr. McManus has been the Chairman of the Compensation Committee since July 29, 2015. The Compensation Committee held five meetings during the fiscal year ended December 29, 2018. Neither the Compensation Committee nor management engaged any compensation consultant during fiscal year 2018.

This Compensation Discussion and Analysis focuses on:

The guiding principles and objectives underlying the Company's compensation program, including the performance levels that the program is designed to reward; and

A description of each of the components of the compensation program, including an explanation as to why these elements were selected as the preferred means to achieve the compensation program's objectives, and how the amount of each element of compensation is determined.

### Principles and Objectives of the Compensation Program

The Company's compensation program and policy are designed to attract, motivate, retain and reward highly qualified executives and employees and to reinforce the relationship between individual performance and business results in a manner that aligns the interests of executives and shareholders.

At our 2018 annual meeting of shareholders, our shareholders were asked to vote on a non-binding resolution relating to the compensation of the Company's named executive officers. The advisory vote requested that shareholders vote for a resolution approving of the compensation of the Company's named executive officers, which resolution was adopted by the Shareholders. The Compensation Committee has considered the results of this advisory vote, and has deemed it to indicate the Shareholders' approval of the Company's compensation package, which is designed to be competitive and to encourage executive retention. An advisory vote at our 2017 annual meeting of shareholders requested the shareholders to determine the frequency with which the compensation of the named executive officers would be presented for a Shareholder vote. The Shareholders elected to have such a vote every year. Based on the

Shareholders' vote, the Board has adopted a policy whereby an advisory vote on the compensation of the named executive officers will be held every year. Shareholders will not be required to vote again on the frequency of the shareholder vote for the compensation of the named executive officers until 2023. See Item No. 2 – Advisory Vote on the Compensation of the named executive officers.

On June 27, 2016, the Board adopted an incentive compensation clawback policy as part of the Board's ongoing efforts to strengthen the Company's corporate governance and risk management. The policy is designed to ensure that incentive compensation is awarded based on accurate financial and operating data and the correct calculation of the Company's performance against incentive targets. The policy requires the Compensation Committee to seek the recovery of incentive compensation in the event of fraud or misconduct or a restatement of the financial or operating results of the Company that results in the payment of inflated incentive compensation.

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On March 6, 2018, the Board adopted an anti-hedging policy that prohibits Restricted Persons (as defined in such policy) from short-term trading, taking short positions, or hedging in Company Shares.

The following principles guide the Company's compensation practices as applied to all executives.

Compensation levels should be sufficiently competitive to attract and retain highly qualified executives and employees.

The Company endeavors to pay compensation at levels consistent with prevailing levels of compensation for similar positions in the geographic areas in which the Company maintains operations, in order to enable the Company to attract and retain the talent needed to achieve its business objectives. The Compensation Committee has used various sources to evaluate the competitiveness and overall structure of executive compensation and non-employee director compensation.

Compensation should be aligned with performance.

The Company believes that a significant portion of executive compensation should take the form of annual incentives based on the annual results of operations achieved by the Company and its subsidiaries as well as long-term value creation. The Company believes that its practice of paying annual incentives based on individual and overall results of operations supports an integrated business model.

The Company's incentive compensation program is balanced between short- and long-term incentive compensation. Short-term incentive compensation—in the form of annual cash incentive awards—is awarded based on annual financial performance and operational goals. This design achieves our objective of offering superior pay for superior performance. Long-term incentive compensation is an important component of the Company's total compensation for executives. The Company's long-term incentive compensation program grants stock options, stock appreciation rights and restricted stock awards at appropriate times and in appropriate amounts to serve as a long-term performance incentive. The Compensation Committee believes that the Company's long-term incentive program provides executives with the opportunity to increase their ownership in the Company, thereby more closely aligning the best interest of the shareholders and the executives. The Company does not maintain minimum share ownership requirements for any executive.

Compensation should reflect an individual's position and responsibility, and compensation for named executive officers should be more heavily weighted toward incentive pay.

Total compensation should generally increase with position and responsibility. Employees in named executive officer positions have greater roles and responsibilities associated with achieving the Company's performance goals, and should thus have a greater portion of their compensation tied to the achievement of those goals. Accordingly, a greater percentage of compensation for more senior positions, particularly those with the greatest responsibility for driving achievement of performance targets, is paid in the form of potential short- and long-term incentive pay as a percent of salary.

#### Components of the Compensation Program

Base salary

Base salaries are set after referencing market data for similar positions from the Towers Watson Data Services survey report on Top Management Compensation in the manufacturing sector.

The compensation of the Company's President and Chief Executive Officer, August M. Vlak, is determined pursuant to the terms and conditions of an employment agreement between Mr. Vlak and the Company, entered into effective January 1, 2018. In 2018, the Compensation Committee recommended, and the Board approved, a base salary for Mr. Vlak of \$450,000. Effective January 1, 2019, Mr. Vlak received an increase of 2.5% in his base salary to \$461,250.

The compensation of named executive officer, John L. Sullivan III, Vice President and Chief Financial Officer, is determined annually by the Compensation Committee and approved by the Board. Mr. Sullivan's base salary was \$323,500 for the year ended December 31, 2018. Effective January 1, 2019, Mr. Sullivan received an increase of 2.9% in his base salary to \$333,000.

Total base salary compensation of Messrs. Vlak and Sullivan is below the average level, of comparable organizations in the New England region of the United States as reported in the Towers Watson Data Services survey.

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## Short-Term Incentives — Annual Cash Incentives

For fiscal year 2018, the named executive officers were eligible to receive short-term incentive compensation based on the annual performance of the Company. Short-term incentives were based on specific goals in the Company's annual operating plan, as approved by the Board on December 11, 2017 and subsequently adjusted to reflect one-time costs and earnings associated with the acquisition of Load N Lock, Systems, Inc. ("Load N Lock") on June 1, 2018. Eighty percent of the short-term incentive for August M. Vlak, President and Chief Executive Officer, was determined by the Company's 2018 earnings per share and twenty percent was determined by working capital efficiency of the Company. Working capital was defined as the combined current assets less current liabilities less cash of the businesses. Working capital efficiency is calculated as the average quarterly working capital divided by sales. The Company's adjusted earnings per share goal was \$1.84, including adjustments for one-time costs and earnings associated with the acquisition of Load N Lock. The Company's working capital efficiency goal for 2018 was 24%. Fifty percent of the short-term incentive for the named executive officer, John L. Sullivan III, Vice President and Chief Financial Officer was determined by the Company's 2018 earnings per share, thirty percent was determined by working capital efficiency of the Company and twenty percent was determined by achievement of personal goals. All incentive payments are subject to final approval by the Compensation Committee.

During 2018, if the Company achieved its earnings per share and working capital efficiency goals, Mr. Vlak was eligible to earn a total short-term incentive equal to 100% of his base salary. The threshold for earning each component of the short-term incentive was achieved at 80% of the goal. At 80% achievement of each goal, Mr. Vlak was eligible to earn 50% of the associated short-term incentive. If the Company achieved less than 80% of a goal, Mr. Vlak was not eligible to earn the associated short-term incentive. At 125% achievement of each goal, Mr. Vlak was eligible to earn 135% of the associated short-term incentive. Mr. Vlak was eligible to earn a maximum short-term incentive of 175% of his base compensation.

During 2018, if the Company achieved its earnings per share, working capital efficiency and personal goals, Mr. Sullivan was eligible to earn a total short-term incentive equal to 40% of his base salary. The threshold for earning each component of the short-term incentive was achieved at 80% of the goal. At 80% achievement Mr. Sullivan was eligible to earn 20% of the associated short-term incentive. If the Company achieved less than 80% of a goal, Mr. Sullivan was not eligible to earn the associated short-term incentive. At 125% achievement of each goal, Mr. Sullivan was eligible to earn 54% of the associated short-term incentive. Mr. Sullivan was eligible to earn a maximum short-term incentive of 67% of his base compensation.

During 2018, Mr. Vlak earned an annual cash incentive of \$563,252, equal to 125.2% of his base salary. The annual cash incentive included \$472,596 for the Company's achievement of 131% of its earnings per share goal for 2018, weighted by 80%, adjusted to remove a tax benefit received in fiscal 2018 related to the new Tax Cuts and Jobs Act. The annual cash incentive also included \$90,656 for the Company's achievement of 101% of its working capital efficiency goal for 2018 weighted at 20%.

During 2018, Mr. Sullivan earned a cash incentive of \$148,605, equal to 45.9% of base compensation. The annual cash incentive included \$84,936 for the Company's achievement of 131% of its earnings per share goal for 2018, weighted by 50%, adjusted to remove a tax benefit received in fiscal 2018 related to the new Tax Cuts and Jobs Act. The annual cash incentive also included \$39,083 for the Company's achievement of 101% of its working capital goal for 2018, weighted at 30%. The Company's working capital goal for 2018 was 24%. The annual cash incentive also included \$24,586 in personal goal achievement. Mr. Sullivan achieved 95% of his target goals.

The following table shows the incentive calculation for fiscal year 2018 based on the short-term incentive earned:



	Mr. Vlak	Mr. Sullivan
Base Salary	\$450,000	\$323,500
Incentive achievement	125.2%	45.9%
Incentive earned	\$563,252	\$148,605

Long-term incentives and performance based SAR's

On March 2, 2017 the named executive officers were granted Stock Appreciation Rights (SAR's) which vest over a three-year period, the 2017 - 2019 performance cycle, provided certain performance goals are achieved. At the time of the grant the exercise price of \$19.10 per unit was equal to 100% of the fair market value of a share of common stock of the Company on the date of the grant of the SAR. The performance goal is the Return on Invested Capital (ROIC) achieved in each of the three fiscal years ending December 2017, December 2018 and December 2019. The ROIC is defined as the Company's average annual fixed assets, intangible assets, and current assets; reduced by the sum of the Company's average annual current liabilities and cash.

On February 7, 2018 the named executive officers were granted Stock Appreciation Rights (SAR's) which vest February 1, 2021, the 2020 performance cycle, provided certain performance goals are achieved. At the time of the grant the exercise price of \$ 24.90 per unit was equal to 100% of the fair market value of a share of common stock of the Company on the date of the grant of the SAR. The performance goal is the Company's Book Value at the close of December of fiscal year 2020. The Company's Book Value is defined as the total assets minus the value of total liabilities as recorded on the Company's balance sheet.

On February 25, 2019 the named executive officers were granted Stock Appreciation Rights (SAR's) which vest February 1, 2022, the 2021 performance cycle, provided certain performance goals are achieved. At the time of the grant the exercise price of \$26.30 per unit was equal to 100% of the fair market value of a share of common stock of the Company on the date of the grant of the SAR. The performance goal is the Company's Book Value at the close of December of fiscal year 2021. The Company's Book Value is defined as the total assets minus the value of total liabilities as recorded on the Company's balance sheet.

The performance cycles are as follows:

		Grantee				
		SAR's (units)				
		<u>Vlak</u>	<u>Sullivan</u>	<u>ROIC Target</u>	<u>ROIC Achieved</u>	<u>Vested</u>
		6,667	3,334	9.1%	10.7%	Yes
2017 – 2019 Performance Cycle	Year 1 Year 2 Year 3	6,667	3,333	10.3%	10.4%	Yes
		6,666	3,333	11.5%	----	---
				<u>Book Value Target</u>	<u>Book Value Achieved</u>	<u>Vested</u>
2020 Performance Cycle	Year 1	20,000	10,000	\$117.8 million	----	----
				<u>Book Value Target</u>	<u>Book Value Achieved</u>	<u>Vested</u>
2021 Performance Cycle	Year 1	12,000	5,000	\$127.0 million	----	----



## Retirement and Other Post-Termination Plans

## 401(k) Plan

The Company maintains a savings and investment plan (the "SIP Plan") for eligible employees, including executive officers. An eligible employee who participates in the SIP Plan may execute a salary reduction agreement requiring the Company to reduce his or her taxable earnings by a percentage of his or her compensation (as elected by the participant) and to contribute that amount to the SIP Plan. The amount of the contribution could not exceed \$18,500 for calendar year 2018, plus an additional \$6,000 catch-up contribution for those participants ages 50 and older.

If an employee executes such a salary reduction agreement, the Company will make a matching contribution to the SIP Plan on behalf of the employee. For 2018, the matching contribution equaled 50% of that portion of an employee's salary reduction contribution that did not exceed 6% of his or her compensation.

Effective June 1, 2016, the SIP Plan was amended to increase the non-discretionary profit sharing contribution to 3%, and eligibility for the profit sharing contribution was extended to all non-union U.S. employees. The SIP Plan was also amended to provide for a non-discretionary contribution (the "transitional credit") for certain non-union U.S. employees who were eligible to participate in the Salaried Employees Retirement Plan of The Eastern Company (the "Salaried Plan"). The amount of this non-discretionary contribution ranges from 0% to 4% of compensation, based on the age of the individual on June 1, 2016.

Earnings in excess of \$275,000 for calendar year 2018 cannot be taken into account under the SIP Plan. An employee is fully vested in his or her salary reduction contributions and the earnings on those contributions. An employee will become vested in any matching contributions, transitional credits, and non-discretionary profit sharing contributions, and the earnings thereon, under a graded vesting schedule, with full vesting after completing five years of service or upon reaching age 65. Employees who are participating in the SIP Plan may direct that their account balances be invested in one or more investment options offered under the plan.

## Retirement Benefits

On April 5, 2016, the Board passed a resolution freezing benefit accruals under the Salaried Plan, effective as of May 31, 2016. As a result, compensation and years of service earned after May 31, 2016 are not taken into account in determining the amount of a member's retirement benefit.

An employee reaches his or her normal retirement date and can begin benefits without reduction upon reaching age 65 (or, if later, the earlier of the attainment of age 70 or the completion of five years of participation in the plan). An employee reaches his or her early retirement date when he or she reaches age 55 after completing 20 years of service. An employee who is eligible for early retirement can elect to begin to receive his or her benefits on an actuarially reduced basis. In addition, if an employee's age and years of service equal at least 90, the employee can elect to begin to receive his or her benefits with a smaller reduction for early commencement than is otherwise applicable for early retirement.

## Pension Benefits Table

The following table provides certain information regarding the present value of accumulated benefits under the Company's qualified and nonqualified defined benefit pension plans as of the last day of the 2018 fiscal year:

Name	Plan Name	Number of Years of Credited Service (#)	Present Value of Accumulated Benefit (\$) (1)	Payments During Last Fiscal Year (\$)
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August M. Vlak	Salaried Employees Retirement Plan of The Eastern Company(2)	2	\$ 0	-
John L. Sullivan III	Salaried Employees Retirement Plan of The Eastern Company (3)	42	\$1,731,762	-

(1) Present value is determined by reference to the RP-2014 MP 2018 mortality table and an interest rate of 4.20%.

(2) The defined benefit plan was frozen before Mr. Vlak had accrued any benefits under the plan.

(3) Under the defined benefit plan, Mr. Sullivan is eligible for early retirement.

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## COMPENSATION COMMITTEE REPORT

We, the Compensation Committee of the Board of Directors of the Company, have reviewed and discussed the Compensation Discussion and Analysis set forth above with management and, based on such review and discussions, have recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement and, through incorporation by reference to this proxy statement, in the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 2018.

Compensation Committee:

Michael A. McManus, Chairman  
John W. Everets  
Charles W. Henry  
James A. Mitarotonda

## CEO PAY RATIO DISCLOSURE

Our philosophy is to pay our employees competitively with similar positions in the applicable labor market. We follow this approach, whether it be an executive salary level position or an hourly wage job at a foreign division.

Following is a reasonable estimate, calculated in accordance with applicable SEC rules, of the ratio of the annual total compensation of our Chief Executive Officer to the median annual total compensation of our employees for the fiscal year ended December 29, 2018.

- the median of the annual total compensation of all employees of the Company was \$27,316 and
- the annual total paid compensation of our Chief Executive Officer, as reported in the Summary Compensation Table included on Page 23 of this proxy statement, was \$1,013,252.
- based on this information, the ratio of the annual total compensation is estimated to be 37:1

To identify the median of the annual total compensation of all our employees, as well as to determine the annual total compensation of our median employee, we compiled payroll data for all U.S. and non-U.S. full-time employees who were employed for the full year of 2018. Of these individuals, 650 were U.S. employees and 653 were non-U.S. employees.

The median employee is an hourly worker at our Greenwald Industries Division in Chester, Connecticut who, in 2018, earned the U.S. dollar equivalent of \$27,316.

## COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

During the 2018 fiscal year, no member of the Compensation Committee was, or had previously been, an officer or employee of the Company or its subsidiaries or had any direct or indirect material interest in a transaction with the Company or in a business relationship with the Company that would require disclosure under the applicable rules of the Securities and Exchange Commission. In addition, no interlocking relationship existed between any member of the Compensation Committee or an executive officer of the Company, on the one hand, and any member of the compensation committee (or committee performing equivalent functions, or the full Board of Directors) or an executive officer of any other entity,

on the other hand.

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## EXECUTIVE COMPENSATION

This section of the proxy statement explains our compensation program for our principal executive officer and our other most highly-compensated executive officer, whom we refer to collectively in this proxy statement as our named executive officers.

## Summary Compensation Table

The table below summarizes the total compensation paid or earned by each of the Company's named executive officers for the fiscal years ended December 31, 2016, December 30, 2017 and December 29, 2018.

Name and Principal Position	Year	Salary (\$ (1))	Bonus (\$ (2))	Stock Awards (\$ (3))	Option Awards (\$ (4))	Non-Equity Incentive Plan Compensation (\$ (5))	Change in Pension Value and Non-Qualified Deferred Compensation Earnings (\$ (6))	All Other Compensation (\$ (7))	Total (\$)
August M. Vlak, 52 (8) President and CEO	2018	\$ 450,000	\$ -	\$124,000		\$ 563,252	\$ -	\$21,229	\$1,158,481
	2017	440,000	-	70,000		567,233	-	20,968	1,098,201
	2016	400,000	108,000	-		430,326	-	16,345	954,671
John L. Sullivan III, 65 Vice President and CFO (9)	2018	323,500	-	62,000		148,605	620	40,340	575,065
	2017	315,000	-	35,000		143,790	136,612	54,638	685,040
	2016	307,000	36,000	-		80,601	151,646	50,803	626,050

(1) The 2018, 2017 and 2016 fiscal years each consisted of 52 weeks.

(2) Amounts shown were earned in the applicable fiscal year and paid in the subsequent year to the named executive officers under the Company's Long-Term Incentive Plan to purchase equity on the open market.

Stock appreciation rights (SAR's) were granted on March 2, 2017 and February 7, 2018. The fair value of SAR's granted for Mr. Vlak's is \$70,000 and \$124,000, respectively and for Mr. Sullivan \$35,000 and \$62,000, respectively. The fair value was determined on the grant date using the Black-Scholes Model.

(4) There were no options awards granted by the Company to the named executive officers in 2018, 2017 or 2016.

Amounts shown were earned in the applicable year and paid in the subsequent year under the Company's short-term incentive plan. Mr. Vlak earned a bonus for 2018 in the amount of \$563,252 and Mr. Sullivan earned a bonus for 2018 in the amount of \$148,605.

Amounts shown reflect the aggregate change in the actuarial present value of each named executive officer's accumulated benefit under all defined benefit plans, including supplemental plans, during each fiscal year. For Mr. Sullivan, accruals under the qualified defined benefit pension plan equaled \$620 for 2018, \$136,612 for 2017 and \$151,646 for 2016.

(7) Included in this column are Company 401(k) plan contributions (including matching contributions, transitional credits and profit sharing contributions), the cost of the use of a company-owned vehicle, company paid term life insurance premiums, the value of group term life insurance in excess of \$50,000, and life insurance under the



Company's defined benefit plan. Company 401(k) plan contributions (including matching contributions, transitional credits and profit sharing contributions) for Mr. Vlak equal \$16,350 for 2018, \$16,200 for 2017 and \$12,000 for 2016 and for Mr. Sullivan equal \$27,150 for 2018, \$27,000 for 2017 and \$20,762 for 2016. The cost of the use of a company-owned vehicle for Mr. Sullivan equals \$5,829 for 2018, \$10,250 for 2017 and 2016.

Company paid term life insurance premiums for Mr. Vlak equal \$3,720 for 2018, \$3,636 for 2017 and \$3,324 for 2016 and for Mr. Sullivan equal \$2,880 for 2018, \$2,808 for 2017 and \$2,748 for 2016. The value of group term life insurance in excess of \$50,000 for Mr. Vlak equals \$1,159 for 2018, \$1,132 for 2017 and \$1,021 for 2016; and for Mr. Sullivan equals \$4,481 for 2018, \$2,257 for 2017 and \$2,194 for 2016. Life insurance under the Company's defined benefit plan for Mr. Sullivan equaled \$12,323 for 2017 and \$14,849 for 2016.

(8) Mr. Vlak was appointed President and Chief Executive Officer on January 1, 2016.

(9) Mr. Sullivan was appointed Chief Financial Officer on December 13, 2006. Prior to that, he was the Vice President, Treasurer and Secretary of the Company.

## STOCK BASED AWARDS

On April 28, 2010, the shareholders approved The Eastern Company 2010 Plan, which by its terms will expire either on February 9, 2020 or upon any earlier termination date established by the Board of Directors. The 2010 Plan authorizes the grant of incentive stock options and non-qualified stock options to purchase Common Shares, the grant of shares of restricted stock, and the grant of other stock-based awards (such as stock appreciation rights). The Compensation Committee determines the terms and conditions of the awards granted under the 2010 Plan, subject to the terms of the 2010 Plan. Awards may be granted to salaried officers and other key employees of the Company, whether or not such employees are also serving as directors of the Company. The 2010 Plan also provides for the grant of nonqualified stock options to non-employee directors of the Company. The total amount of Common Shares with respect to which awards may be granted under the 2010 Plan shall not exceed in the aggregate 500,000 shares.

The purchase price of the Common Shares subject to each incentive stock option granted under the 2010 Plan may not be less than the fair market value of the Common Shares on the date of grant. The purchase price of Common Shares subject to non-qualified stock options granted under the 2010 Plan, and the price (if any) which must be paid to acquire a share of restricted stock granted under the 2010 Plan, is set by the Compensation Committee. All non-qualified stock options granted to date under prior stock option plans have required a purchase price equal to 100% of the fair market value of the Common Shares on the date of the grant.

Incentive stock options generally may not be granted under the 2010 Plan to any employee who owns more than ten percent (10%) of the Company's voting stock at the time of such grant. Incentive stock options must be exercised within ten years. Non-qualified stock options must be exercised within the period set forth in the 2010 Plan or, if the 2010 Plan permits, within the period established by the Compensation Committee. Moreover, options may not be exercised more than three months after termination of employment or termination of service as a director. However, in the case of death or disability, the option may be exercised within one year after death or disability by the estate of such named executive officer. The three month period is also extended to one year for an optionee who terminates employment or terminates service as a director at or after reaching age sixty-five (65).

Grants of Plan-Based Awards. On March 2, 2017, on February 7, 2018 and on February 25, 2019, the Compensation Committee granted stock appreciation rights under the 2010 Plan as follows: August M. Vlak – 20,000, 20,000 and 12,000, respectively and John L. Sullivan III – 10,000, 10,000 and 5,000, respectively. Vesting of all stock appreciation rights is subject to performance targets. Under the long term incentive plan, no cash incentives were awarded to any named executive officers during the fiscal year ended December 29, 2018. Stock Appreciation Rights (SARs) entitle the recipient to a payment in shares equal to the appreciation in the Company's stock over a 5-year period. When recipients elect to exercise their SARs, the Company will multiply the total number of exercised SARs by the difference between the Company's closing share price on the exercise date and the SAR strike price. This multiplication will determine the total value of the exercised SARs. The total value of the exercised SARs will be divided by the closing share price on the exercise date to determine the number of shares awarded to the recipient. The SAR strike price is determined by the Company's closing share price on the date of the Compensation Committee's decision to grant SARs. Vesting of all stock appreciation rights is subject to performance targets. The annual performance targets for vesting of the stock appreciation rights are based on the Company's 2017, 2018, and 2019 return on invested capital for 2017 awards. The 2018 and 2019 awards are based on achieving a book value target.

## OPTIONS EXERCISED IN FISCAL 2018

The named executive officers did not exercise any stock options or stock appreciation rights during the fiscal year ended December 29, 2018, and the named executive officers did not own any shares of restricted stock which vested during the fiscal year ended December 29, 2018.

## OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

The following table displays the units of unvested stock appreciation rights held by each of the named executive officers at the end of fiscal year 2018. There have been no stock options granted by the Company for the named executive officers and there are no outstanding stock options.

Name	Stock Awards		Equity Incentive	Equity Incentive
	Number of Shares or Units of Stock that Have Not Vested (#)(A)	Market Value of Stock that Have not Vested (\$)(A)	Plan Awards: Number of Unearned Shares, Units or other Rights That Have Not Vested (#)(B)	Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)(B)
August M. Vlak	26,666	\$ 145,662	-	\$0
John L. Sullivan, III,	13,333	72,831	-	0

On March 2, 2017, the Compensation Committee granted stock appreciation rights under the 2010 Plan as follows: August M. Vlak – 20,000; and John L. Sullivan III – 10,000. The stock appreciation rights have an exercise price of \$19.10 (equal to the fair market value of a Common Share on the date of grant), and will vest on a three-year schedule based on performance targets set by the Board of Directors and become exercisable on a graded schedule over a period of five years. The named executive officer must remain an employee of the Company on each applicable vesting date and the Company must meet certain performance targets for vesting of the stock appreciation rights based on the Company's 2017, 2018, and 2019 return on invested capital.

On February 25, 2019, the Compensation Committee affirmed the partial vesting of the stock appreciation rights granted in 2017, based on the Company's actual 2018 return on invested capital. The Compensation Committee approved vesting of stock appreciation rights for the following named executive officers: August M. Vlak – 6,667; and John L. Sullivan III – 3,333 as of February 1, 2019.

On February 7, 2018, the Compensation Committee granted stock appreciation rights under the 2010 Plan as follows: August M. Vlak – 20,000; and John L. Sullivan III – 10,000. The stock appreciation rights have an exercise price of \$24.90 (equal to the fair market value of a Common Share on the date of grant), and will vest on February 1, 2021 based on performance targets set by Board of Directors. The stock appreciation rights become exercisable over a period of 5 years (provided that the named executive officer remains an employee of the Company on each applicable vesting date and the Company meets certain performance thresholds prescribed in the stock appreciation rights agreement). The performance target for vesting of the stock appreciation rights are based on the Company's book value on February 1, 2021.



## TERMINATION OF EMPLOYMENT AND CHANGE IN CONTROL ARRANGEMENTS

## Employment Agreement

On January 16, 2018, the Company entered into an amended and restated employment agreement (the "Amended and Restated Employment Agreement") with August M. Vlak, the Company's President and Chief Executive Officer. The Amended and Restated Employment Agreement supersedes the employment agreement executed on March 29, 2016 and was retroactively effective January 1, 2016. The initial term of the Amended and Restated Employment Agreement is from January 1, 2018 through December 31, 2018. However, the Amended and Restated Employment Agreement will be automatically renewed for additional one year terms, unless either party provides notice of nonrenewal at least 60 days prior to the end of the term. The Amended and Restated Employment Agreement automatically renewed for another one year term from January 1, 2019 through December 31, 2019. The Amended and Restated Employment Agreement sets forth Mr. Vlak's employment duties, compensation and additional benefits, as well as certain noncompetition, nonsolicitation and nondisclosure covenants.

Under the terms of the Amended and Restated Employment Agreement, in the event of Mr. Vlak's death, termination by the Company without cause, termination by Mr. Vlak for good reason or due to a constructive termination, or when certain requirements are met in the event of a change in control, the Company will pay Mr. Vlak (i) any accrued compensation, including earned but unpaid base salary, reimbursement for reasonable and necessary expenses, accrued but unused vacation pay, the unpaid portion of any earned annual bonus for the fiscal year preceding termination, a pro-rated portion of the actual bonus, and vested accrued employee benefits; (ii) an amount equal to one times Mr. Vlak's annual base salary; and (iii) an amount equal to one times Mr. Vlak's target annual bonus for the year of termination. However, the change in control benefits will be reduced to the extent necessary to avoid the applicability of Section 280G of the Internal Revenue Code. All payments by the Company are subject to the execution of a release and waiver.

The following table provides certain information regarding the benefits payable under the termination of employment and change in control agreement for Mr. Vlak. The payments under the change in control agreement are based on compensation received for the fiscal year ending December 29, 2018, assuming a change in control becomes effective December 29, 2018.

	Absent a change in control		Following a change in control	
	Termination For Cause	Termination Without Cause	Termination For Cause	Termination Without Cause
August M. Vlak Lump sum -		\$1,013,252	-	\$1,013,252

## RISK ASSESSMENT OF COMPENSATION POLICIES AND PRACTICES

Management and the Compensation Committee have reviewed the existing incentive compensation programs in which executives who are not named executive officers participate, in order to establish that such programs do not create risks that are reasonably likely to have a material adverse effect on the Company. Incentive compensation programs exist at the Corporate Office and at the Company's divisions, and no particular division carries a significant portion of the Company's overall risk profile. Stock incentive awards are also available under the Company's 2010 Executive Stock Incentive Plan. These awards are determined based upon guidelines set by the Chief Executive Officer and are reviewed and approved by the Compensation Committee. The cash incentive compensation program for corporate

executives is subject to performance parameters and dollar limitations approved by the Compensation Committee. Cash incentive programs at the Company divisions are based upon attainment of specific financial performance goals that are developed on a basis consistent with the division's financial goals. These programs are approved by the Chief Executive Officer. In conclusion, management has determined that the existing incentive programs applicable to non-named executive officers and the Company's 2010 Executive Stock Incentive Plan do not create risks that are reasonably likely to have a material adverse effect on the Company.

#### ADDITIONAL INFORMATION

Any shareholder who intends to present a proposal at the 2020 annual meeting of shareholders and desires that it be included in the Company's proxy materials must submit to the Company a copy of the proposal on or before November 15, 2019. Any shareholder who intends to present a proposal at the 2020 annual meeting of shareholders, but does not wish that the proposal be included in the Company's proxy materials, must provide notice of the proposal to the Company in accordance with the terms of the Company's Bylaws no earlier than February 1, 2020 and no later than March 2, 2020.

It is the Company's policy to have the members of the Board of Directors attend the Annual Meeting, to the extent feasible. All of the members of the Board of Directors attended the 2018 annual meeting of shareholders.

If any shareholder wishes to send communications to the Board of Directors or to any member of the Board of Directors, he or she may do so by sending such communications to the Board of Directors or to the individual director in care of The Eastern Company, 112 Bridge Street, P.O. Box 460, Naugatuck, Connecticut 06770. All such communications will be delivered to the Board of Directors or to the individual director in strict confidence.

#### FORM 10-K ANNUAL REPORT

A copy of the Company's Annual Report on Form 10-K as filed with the SEC for the fiscal year ended December 29, 2018 will be furnished without exhibits to shareholders upon written request. Exhibits to the Form 10-K will be provided if so indicated. Direct all inquiries to Investor Relations, The Eastern Company, 112 Bridge Street, P.O. Box 460, Naugatuck, Connecticut 06770-0460. Form 10-K is also available on the Company's website at [www.easterncompany.com](http://www.easterncompany.com).

VOTE BY INTERNET - [www.proxyvote.com](http://www.proxyvote.com)

Use the Internet to transmit your voting instructions and for electronic delivery of information. Vote by 11:59 P.M. ET on 04/30/2019. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

VOTE BY PHONE - 1-800-690-6903

Use any touch-tone telephone to transmit your voting instructions. Vote by 11:59 P.M. ET on 04/30/2019. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

VOTE BY MAIL

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:  
THIS PORTION FOR YOUR RECORDS

KEEP

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DETACH AND RETURN THIS PORTION ONLY

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

The Board of Directors recommends you vote FOR ALL the following:

For All Except individual nominee(s), mark "For All Except" and write the number(s) of the    nominee(s) on the line below.



1. Election of Directors

Nominees

- 01 Fredrick D. DiSanto    02 John W. Everets    03 Charles W. Henry    04 Michael A. McManus Jr.    05 James A. Mitarotonda
- 06 Peggy B. Scott        07 August M. Vlask

The Board of Directors recommends you vote FOR proposals 2 and 3.

For            Against            Abstain

2. Advisory vote to approve the compensation of the named executive officers.                       

For    Against    Abstain

3. Ratify the appointment of the independent registered public accounting firm (Fiondella, Milone & LaSaracina LLP).                       

NOTE: Such other business as may properly come before the meeting or any adjournment thereof. Note: A vote to withhold authority to vote for any nominee(s) is treated as a vote against the nominee(s).

For address change/comments, mark here.      
(see reverse for instructions)

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name, by authorized officer.

\_\_\_\_\_  
Signature [PLEASE SIGN WITHIN BOX] Date    Signature (Joint Owners) Date

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting: The Notice & Proxy Statement, Annual Report and Form 10K are available at [www.proxyvote.com](http://www.proxyvote.com).

THE EASTERN COMPANY

112 Bridge Street, P.O. Box 460, Naugatuck, CT 06770-0460

THIS PROXY IS SOLICITED BY THE BOARD OF DIRECTORS OF THE COMPANY

The undersigning hereby appoints John L. Sullivan III and Nicholas A. Vlahos or any one or more of them, true and lawful attorneys and agents, with the power of substitution for the undersigned in his name, place and stead, to vote at the Annual Meeting of Shareholders of The Eastern Company on May 1, 2019 and any adjournments thereof, all shares of common stock of said Company which the undersigned would be entitled to vote, if then personally present, as specified on the reverse side of this card on proposals 1, 2 and 3 and in their discretion on all other matters coming before the meeting.

This proxy will be voted as directed by the shareholder but if no choice is specified, it will be voted FOR proposals 1, 2 and 3.

Address change/comments:

(If you noted any Address Changes and/or Comments above, please mark corresponding box on the reverse side.)

Continued and to be signed on reverse side