Barnes Group Inc. Tax Strategy and Approach

United Kingdom

This published UK tax strategy and approach complies with the tax strategy publication requirements introduced in Schedule 19 of the Finance Act 2016 for the financial year ending December 31, 2017 and applies to Barnes Group (U.K.) Limited and any other UK entities that are direct or indirect subsidiaries of Barnes Group Inc. (collectively, “BG UK”). It is applicable from the date of publication until it is superseded. Any reference within this document to “taxes” is meant to include all taxes and duties outlined in paragraph 15 of Schedule 19 to the Finance Act 2016 such as corporate income tax, VAT, PAYE, etc.

The overall aim of Barnes Group’s and BG UK’s tax policy is to support its business by maintaining a sustainable corporate income tax rate utilizing responsible tax planning strategies while mitigating tax risk and complying with the rules and regulations within the jurisdictions in which Barnes Group conducts business.

The following document lays out Barnes Group’s strategy and approach for the United Kingdom.

Governance

Barnes Group and BG UK maintain internal company policies and procedures to support its tax control framework. The Chief Financial Officer (“CFO”) of Barnes Group is ultimately responsible for Barnes Group’s and BG UK’s overall tax risks, while the management of tax risks in global markets is performed by Barnes Group’s Vice President, Tax & Treasury (“VP-Tax”), supported by the company’s tax staff and teams of regional and local country finance leaders. We believe that these teams are staffed with appropriately qualified individuals with the required skills and experience who hold a combination of accounting and tax qualifications. These individuals, as part of the job requirement, are tasked with ensuring that Barnes Group follows all applicable rules and procedures as well as monitor changes occurring in the global regulatory environment.

The Audit Committee of the Board of Directors of Barnes Group oversees the company’s financial reporting practices, which includes tax reporting, as well as oversees internal controls, and meets periodically with management to review and assess the company’s major financial risks. The CFO and VP-Tax regularly report to the Audit Committee on tax affairs and risk. Any significant matter related to UK tax risk would also be reported to the appropriate BG UK entity’s management and the appropriate BG UK entity’s Board of Directors.

Tax Planning

The Company’s vision states that we will provide superior value to our customers and stakeholders and in doing so we consider the tax laws of the UK and all the other countries in which we operate. We engage in planning that supports our commercial objectives and reflects our business activities while understanding any potential reputational risk. We intend to comply with the tax legislation and compliance requirements and to act in a responsible manner to uphold our reputation.

We aim to adhere to all relevant and applicable tax laws and look to minimize uncertainty and tax disputes. Our planning is supported by appropriate external tax advice and conducted to minimize
exposure for the group to financial or reputational risk. Inter-company transactions are conducted on an arms-length basis and in accordance with the Organization of Economic Cooperation and Development principles, with the objective of paying the appropriate taxes in each jurisdiction in which Barnes Group operates reflecting its business operations and activities within that jurisdiction. The company will occasionally utilize tax incentives and exemptions implemented by local governments and tax or fiscal authorities in order to support investment and economic development in a jurisdiction. Where the incentives or exemptions exist, we seek to apply them in a manner consistent with their intended use.

**Tax Risk**

Barnes Group and BG UK tax arrangements are based on its commercial business and economic activities. Tax compliance with various complex tax legislation that exists in the various jurisdictions in which the company does business creates an environment in which risk will arise in regards to the interpretation of tax laws or in relation to compliance obligations. We seek to reduce the level of risk by ensuring reasonable care is applied in relation to processes that could likely impact compliance with tax obligations. The company seeks to ensure that proper financial records are maintained in preparing its statutory accounts in accordance with UK Generally Accepted Accounting principles. The processes related to computing and recording taxes are the responsibility of the appropriate functional leader, who analyzes the processes for risk and monitors for business or legislative changes so the systems and processes can be changed, if necessary.

To minimize the risk and to ensure compliance with legislative rules, advice is sought from external advisers where appropriate. Advisory and technical tax support is provided by a combination of large accounting firms and various legal firms. The use of the advisory firm that is also our external financial auditor is overseen by, and regularly reports to, the Audit Committee of the Board of Directors of Barnes Group Inc.

**Relationship with Her Majesty’s Revenue and Customs (“HMRC”)**

When Barnes Group engages with HMRC and other tax authorities, it is our intention to deal with them with honesty, openness and transparency. Where possible and appropriate, we engage with the tax authorities to discuss developments in the business, tax risk and interpretation of tax legislation. We look to create a sustainable relationship with tax authorities that are based on mutual respect.

If the company discovers material errors on any tax submissions made to tax authorities, we disclose as soon as reasonable practicable after discovery of the material error. In case of tax disputes, we seek to resolve the dispute by way of open and transparent discussion. If such discussions do not lead to an acceptable conclusion for each party, then the company is willing to litigate to resolve such dispute.