

## **Illumina Tax Strategy**

This approach to tax applies to all members under the parent company Illumina, Inc.

This publication fulfils the requirements of paragraph 22(2) UK Finance Act 2016 for Financial Year 2019.

## Overall Strategy

This document sets out Illumina's tax strategy and policies in its tax affairs. This strategy applies to all entities in the group.

Illumina takes pride in being a responsible corporate across all activities, always acting with integrity and care.

Illumina's Code of Conduct requires that employees:

- 'follow high ethical standards and comply fully with both the spirit and the letter of all applicable laws and regulations.'
- 'observe these standards when addressing the special requirements often associated with government transactions or when dealing with government officials, representatives, or agencies that regulate the markets in which we do business.'
- 'compete and succeed in a fair and honest marketplace. We do not engage in unethical, unfair or illegal communications with competitors.'

Illumina's tax strategy takes the above principles and values and applies them to corporate taxation. Illumina will therefore be as fully compliant as possible with local tax legislation, worldwide tax regulations and corporate social responsibility.

All entities seek to report and pay the fair amount of tax due, in the appropriate jurisdiction, at the correct time. This is part of Illumina's desire to build trust in the tax system amid a period of large-scale international tax reform. Illumina will not engage in artificial activity purely for tax purposes.

Illumina will uphold the applicable tax laws in each country of operation through non-abusive methods of practice and therefore aim to be compliant both with the law as written and the law's intended effects, where known. As part of this approach, Illumina will proactively engage with tax authorities, in order to build trust and to reduce uncertainty and risk.

Illumina supports simple, clear and transparent reporting in an increasingly complex and changing tax environment. Illumina supports the aims of governments and multinational organisations such as the Organisation for Economic Cooperation and Development, in increasing clarity and reducing abusive tax practices, which give unfair competitive advantages to those engaging in aggressive and artificial activity purely for tax benefits.

## Risk management and governance

As a multi-national organisation operating across multiple countries, Illumina faces exposure to tax uncertainty, risk and potential double taxation.

Illumina proactively tries to mitigate and manage these risks through internal control processes, as each foreseeable risk is identified and assessed appropriately.

- *Compliance risk* – Evaluating legislative changes at either a local or global level, ensuring prompt returns or payments, ensuring the impact on business is minimal and relations with the relevant tax authority is in good stead.
- *Reputational risk* – Compliance and support of increased corporate transparency as a result of tax framework (such as Country-by-Country Reporting or the UK Finance Act 2016), and considering relations with all stakeholders; governments, investors, employees, customers and the public.
- *Transactional risk* – Illumina looks to consider implications and perform appropriate due diligence when approaching each transaction across the group; taking advice on local legislation or potential tax consequences from local experts where appropriate.

The role of the tax function is to complete tax reporting and compliance as well as generally managing the tax risk profile. There are skilled tax teams based in the United States, Europe and Asia-Pacific, identifying and reducing tax risk. The tax team provides advice to local finance and business teams within the region on various operational tax-related issues and requirements to ensure that compliance is appropriate, timely and correct.

Tax controls are further reinforced through the use of Illumina's Enterprise Resource Planning Software (SAP) as well as internal finance controls, including but not limited to controls that meet the Sarbanes-Oxley requirements which are tested on a quarterly basis.

Tax matters are brought to the attention of the board through being embedded within general finance updates and constant communication with the finance team.

## Attitude towards tax planning and level of risk

Illumina will pay an appropriate and fair amount of tax to the relevant tax authorities in areas of operation, contributing to government revenue that provides social and economic growth. Proper management controls uphold the company's stance not to partake in any unreasonable or artificial tax planning that is in contradiction of the known intent of the law.

As part of its processes and financial responsibility, Illumina will evaluate the tax implications of transactions and activities. The Illumina tax team will ensure that the transactions and activity are characterised correctly, avoiding uncertainty and potential double taxation.

- *Appetite for risk* – The principle by which Illumina operates, concerning the appetite for risk, is a 'more likely than not' probability of success if challenged by a tax authority. Continuous review of controls mitigates risks when they arise, reducing the likelihood of a dispute with Illumina's affairs.
- *Seeking advice* – In any event where the tax implications are unclear, Illumina's stance is to be more prudent than abusive. Illumina's tax team will evaluate the risk based on available information and if necessary, the tax team will seek professional advice for clarification from an expert tax practitioner.
- *Stakeholder expectations* – Illumina will not take part in any form of tax evasion or conduct artificial arrangements purely for tax reasons. Illumina operates with the transfer pricing 'arm's-length principle' between each entity, and attempts to pay an amount of tax respective to the value created in a country.

- *Tax incentives and exemptions* – Illumina looks to continue its support of innovative technological development and economic growth by applying reductions on taxation where appropriate, utilising schemes offered by government and fiscal authorities. The nature of Illumina’s functions across healthcare and scientific research provides significant opportunity to claim on research and development incentives, allowing reinvestment in these functions – ultimately yielding higher productivity and scientific advancement.

### **Transparency and relationships with tax authorities**

Remaining transparent and establishing a constructive relationship between members of the Illumina group and the relevant tax authority is a crucial process when creating trust, and minimises the risk of a challenge or dispute of Illumina’s tax matters. Illumina’s tax teams proactively anticipate and prepare all relevant documentation where possible in order to provide evidence in a timely fashion of all tax matters and functions globally.

- *Approach towards dealing with tax authorities* – With regards to activity within the group, Illumina’s business structure emphasises that it is dedicated to elevated levels of compliance with reference to significant transactions, tax affairs concerning other group members and transparent reporting within the fiscal year.
- *Improving transparency* – Mutually respectful relationships benefit both parties when working to comply with all relevant laws and regulations. Adhering to global tax principles and contributing to social and economic development in countries of operation is vital for sustainable cooperation between Illumina and governments.
- *Tax audit* – Illumina’s tax policy in place ensures timely and full compliance in the context of the tax audit, by working with authorities on a real-time basis and proactively preparing supporting documentation of taxable transactions.