



APACHE NORTH SEA 2017 TAX RISK MANAGEMENT

This document summarises our approach to tax risk management.

Apache Corporation (“Apache”, or “the Company”) is a premier oil and gas exploration and production company with global assets, focused on North American growth. Apache’s mission is to grow in an innovative, safe, environmentally responsible and profitable manner for the long-term benefit of our shareholders with a strategy to deliver top-tier returns by maximising recovery and minimising costs through continuous improvement.

During 2017, Apache North Sea continues to operate one platform rig in the Forties field and expects to drill four wells with forecasted investment of approximately US\$80 million on capital projects, a reduction of 16 percent from the 2016 level. The capital plan is intended to sustain longer-term free cash flow generation in the North Sea. The opportunity set in the region is primarily centred on development drilling and lower-risk step-out exploration wells, where the company has a long-standing track record of success.

Apache North Sea’s approach to tax risk management complements Apache’s strategic goals and objectives and the tax function’s role in delivering these goals and objectives. Apache North Sea’s approach to tax risk management is also supported by a global tax risk policy which mirrors the values contained in [Apache’s Code of Business Conduct and Ethics](#).

Apache North Sea Business Strategy and Tax Objectives

Apache North Sea’s tax strategy is designed to promote:

1. Fair, accurate and timely disclosure in tax returns, reports, and documents that Apache North Sea files with, or submits to, the tax authorities;
2. Compliance with applicable tax laws, rules and regulations;
3. Tax planning that is commercially driven and has a non-tax business purpose; and
4. Management of U.K. tax affairs in a proactive manner that seeks to maximise shareholder value, regulate cash flow, and pay the proper amount of tax when due while operating in accordance with the spirit and letter of the law.

Apache North Sea Tax Risk Management and Tax Planning

Apache’s approach to effectively manage tax risk is to ensure a robust set of processes and controls are clearly documented and communicated to the organisation. Each process and control is reviewed in a timely manner to capture legislative changes and to ensure accountabilities and responsibilities of the respective department are clearly identified. These processes and controls are designed to ensure that Apache is fully compliant with tax laws, correctly fulfills its financial accounting and tax reporting obligations, remits cash taxes when due, and complies with applicable disclosure requirements. For example, following the enactment of the Criminal Finances Act 2017, Apache has complied with the legislation to ensure that there are reasonable procedures in place to prevent facilitation of tax evasion.



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Apache does not engage in artificial tax arrangements or take tax positions that are not defensible under full disclosure. Apache does not engage in tax evasion, artificial or high risk transactions. Apache does not adopt tax schemes, based on form without commercial substance.

Tax positions undertaken by Apache are structured to provide a high level of comfort as judged by external advisors or evidenced by a ruling or clearance from tax authorities. Apache documents tax positions in a manner which will minimise tax risk and uncertainty.

Apache applies professional care and judgement and ensures all decisions are made at an appropriate level and are well-documented.

People and Organisation

Apache trains and supports all tax personnel to ensure that they have the skills, technical expertise and knowledge to effectively and accurately fulfil their tax responsibilities.

Within the Apache North Sea Tax Department, each team member is allocated individual goals that seek to align the tax function with the corporate goals of Apache and Apache North Sea. These goals focus on areas such as timely and accurate filing of tax returns or reports, tax corporate governance, monitoring of legislative changes, identification of cost or time savings, ensuring accuracy of data used for tax reporting and compliance, and complying with applicable reporting and disclosure requirements.

The above goals of the Apache North Sea Tax Department are achieved through the selection and utilisation of appropriate software systems which ensure the maintenance of appropriate accounting records.

Relationships with Tax Authorities

Apache North Sea maintains a cordial relationship with the tax authorities, responds to questions on a timely basis, and ensures that conduct by Apache employees is governed by Apache's Code of Business Conduct and the Compliance Guide for Foreign Corrupt Practices Act and Anti-Corruption Laws.

Apache North Sea is committed to complying with relevant disclosure requirements and working with tax authorities to minimise disputes and agree on disputed issues early in the process.