



## GOVERNANCE PRINCIPLES

### OUR POLICY

The following principles have been recommended by the Corporate Governance and Nominating Committee (the “CG&N Committee”) of the board of directors of Apache Corporation (the “Company”) and have been approved by the board of directors of the Company and, along with the certificate of incorporation, bylaws, committee charters, and key policies and practices of the board of directors and its committees, provide the framework for the governance of the Company. The board of directors recognizes that there is an on-going and energetic debate about corporate governance, and it will review these principles and other aspects of the Company’s governance, as it deems necessary from time to time. These Governance Principles will be posted on the Company’s web site ([www.apachecorp.com](http://www.apachecorp.com)) and will be mailed to stockholders upon written request.

### Role of the Board of Directors and Management

The Company's business is conducted by its employees, managers, and officers, under the direction of the chief executive officer (“CEO”) and the oversight of the board of directors, to enhance the long-term value of the Company for its stockholders. The board of directors is elected by the stockholders to oversee management and to assure that the long-term interests of the stockholders are being served. Both the board of directors and management recognize that the long-term interests of stockholders are advanced by responsibly addressing the concerns of other stakeholders and interested parties, including employees, customers, suppliers, government officials, and the public at large.

### Functions of the Board of Directors

The board of directors will hold at least four regularly scheduled meetings a year at which it will review and discuss reports by management on the performance of the Company, its plans and prospects, as well as immediate issues facing the Company. To the extent practicable, the appropriate officers of the Company will provide the directors with relevant materials in advance of each board meeting. The standing committees of the board, described below, will meet on such schedule as the members of the committees deem appropriate. Directors are expected to attend all scheduled meetings of the board of directors and all scheduled meetings of any committee of which they are a member and to review the applicable meeting materials in advance of the meeting. In addition to its general oversight of management, the board also performs a number of specific functions, including:

- a. selecting, evaluating, and compensating the CEO and overseeing CEO succession planning;
- b. providing counsel and oversight on the selection, evaluation, development, and compensation of senior management;
- c. reviewing, approving, and monitoring fundamental financial and business strategies and major corporate actions;
- d. assessing major risks facing the Company and reviewing options for their mitigation;
- e. ensuring processes are in place for maintaining the integrity of the Company and its financial statements and reporting; and



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- f. ensuring the Company's compliance with law, and providing for the Company's ethical conduct in its relationships with customers, suppliers, government officials, employees, stockholders, and other stakeholders.

### **Qualifications of Board Members**

Directors should possess the highest personal and professional ethics, integrity, and values, and be committed to representing the long-term interests of the Company's stockholders. The CG&N Committee is responsible for recommending to the board of directors policies and principles for the qualification and selection of nominees to the board of directors. Nominees for election to the board of directors shall be selected by the CG&N Committee and approved by the full board of directors.

Directors must be willing to devote sufficient time to carrying out their duties and responsibilities effectively, and should be committed to serve on the board for an extended period of time. If a significant change in the personal circumstances, including a change in his or her principal job responsibilities, of a director should occur, the director shall immediately notify the CG&N Committee to permit the CG&N Committee to review the appropriateness of the director's continued service on the board of directors or on any committee of the board of directors, and the CG&N Committee shall present its recommendations to the full board of directors for its consideration and action.

Any director of the Company who also serves as the CEO or an equivalent position for the Company or any other public company should not serve on more than one other board of directors of a public company in addition to the Company's board of directors, and all other Company directors should not serve on more than three other boards of directors of public companies in addition to the Company's board of directors.

The board of directors believes that service as an Apache director for an extended period provides valuable insight into the operations and future of the Company, based on experience with and understanding of the Company's history and objectives. Therefore, directors are not subject to term limits except as a result of reaching the board's retirement age. No director may stand for election or re-election after reaching age 75.

### **Independence of Directors**

At least a majority of the directors will be independent directors pursuant to the standards for director independence established by applicable laws, rules, and listing standards, including, without limitation, the standards for independent directors established by the New York Stock Exchange, the NASDAQ National Market, and the Securities and Exchange Commission.

Annually, in time for disclosure in the proxy statement for the annual meeting of stockholders, the board of directors will make affirmative determinations that each director who is considered to be independent does meet the applicable standard of independence.



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### **Size of Board and Selection Process**

The board of directors has determined that the number of directors should be no less than nine and no more than fifteen. The directors are elected in the manner described in Article Ninth of the Company's restated certificate of incorporation. The board of directors will propose a slate of nominees to the stockholders for election to the board. Without stockholder action, the board of directors may elect directors to fill a vacancy on the board of directors (including a vacancy created by an increase in the number of directors).

### **Change in Job Responsibility**

Directors who experience a material change in their job responsibility, other than on account of retirement, shall offer to resign from the board. The CG&N Committee, after reviewing the appropriateness of continued board service under these circumstances, and with input from the non-executive chairman of the board, will recommend whether the board should accept such resignation.

### **Board Committees**

The board has established the following committees to assist the board in discharging its responsibilities: (i) the Audit Committee; (ii) the Management Development and Compensation Committee ("MD&C Committee"); and (iii) the CG&N Committee. The current charters and key practices of the Audit Committee, the MD&C Committee, and the CG&N Committee are published on the Company's web site and will be mailed to stockholders upon written request to the corporate secretary of the Company. In addition to any formal reports submitted to the board of directors, the committee chairs shall report the highlights of their meetings to the full board following each meeting of their respective committees.

### **Independence of Committee Members**

In addition to the requirement that a majority of the members of the board of directors satisfy applicable independence standards, discussed above, all members of the Audit Committee, the MD&C Committee, and the CG&N Committee shall be independent. In addition, all members of the Audit Committee must also satisfy any additional independence requirements provided by applicable laws, regulations, and listing standards, including, without limitation, restrictions on compensation to be received by Audit Committee members.

### **Meetings of Independent Directors**

The independent directors shall hold regularly scheduled executive meetings as often as they determine appropriate, but in any event at least twice each year. The Company's corporate secretary shall act as secretary of the executive meetings, unless the independent directors shall otherwise direct.



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### **Non-Executive Chairman of the Board**

The independent directors shall elect a non-executive chairman of the board from time to time, but not less than annually, who will:

- chair the executive sessions of the independent directors,
- lead the discussion with the CEO following the independent directors' executive sessions,
- lead periodic discussions with the other board members and management concerning the board's information needs,
- review and discuss proposed board meeting agendas with the independent directors and the CEO to ensure approved agendas meet board needs,
- ensure that the board's individual, group, and committee self-assessments are done annually, and
- be available for discussions with major shareholders.

### **Self-Evaluation**

The board of directors and each committee shall conduct an annual self-evaluation to determine whether members believe the board of directors or the committee is functioning properly. The CG&N Committee shall develop policies and procedures for these evaluations and shall annually report the results of these evaluations to the board of directors. The non-executive chairman of the board shall ensure that the board's individual, group and committee self-assessments are done annually. The results of the evaluations shall be discussed by the board of directors at the first meeting of the board of directors after the end of each fiscal year with a particular focus on those areas where the board of directors or management believe the board of directors or a committee needs to make improvements or changes.

### **Ethics and Conflicts of Interest**

Each director, executive officer, and employee of the Company is required to comply—and annually attest to his or her compliance—with the Company's Code of Business Conduct and Ethics, which is available on the Company's web site.

### **Reporting of Concerns to Independent Directors**

Anyone who has concerns about the Company may communicate those concerns to the independent directors or to the non-executive chairman of the board. Such communication should be mailed to the Company's corporate secretary at 2000 Post Oak Boulevard, Suite 100, Houston, Texas 77056-4400, who will forward such communications to the independent directors or to the non-executive chairman of the board, as appropriate.



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### **Compensation of the Board Members**

The form and amount of director compensation will be determined by the board of directors with input and advice from the MD&C Committee. In setting the directors' compensation, the board of directors will consider that directors' independence may be jeopardized if director compensation and perquisites exceed customary levels, if the director receives compensation from a charity or serves as an executive officer of a charity to which the Company makes substantial charitable contributions, or if the Company enters into consulting contracts with (or provides other indirect forms of compensation to) a director or an organization with which the director is affiliated. The board of directors believes that all directors should own equity in the Company. To that effect, all restricted stock units granted to non-employee directors are automatically and mandatorily deferred upon vesting and must be held until such director retires or otherwise terminates his or her directorship.

### **Succession Plan**

Following the receipt of the recommendations of the MD&C Committee, the board of directors shall approve and maintain a succession plan for the CEO.

### **Annual Compensation Review of Senior Management**

The MD&C Committee shall annually approve the goals and objectives for compensating the CEO. The MD&C Committee shall evaluate the performance of the CEO in light of these goals and recommend the CEO's salary, bonus, and other incentive and equity compensation for approval by the independent directors on the board of directors. The MD&C Committee shall also assist the CEO and the board of directors in evaluating and approving the compensation structure for the Company's other executive officers.

### **Director Access to Officers, Employees, and Independent Advisors**

Directors shall have full and free access to the executive officers of the Company. The directors will use their judgment to ensure that any such contact is not disruptive to the business operations of the Company.

The board of directors expects regular attendance and participation at each board meeting by the senior officers of the Company.

The board of directors and, to the extent required by law, regulation, or listing standard, all committees of the board of directors shall have the power to hire, and determine the terms of employment for, independent legal, financial, or other advisors as they may deem necessary, without consulting or obtaining the approval of any officer of the Company.



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### **Director Orientation and Continuing Education**

All new directors must participate in an orientation program that should be conducted as soon as reasonably practicable after each new director's election. This orientation should include presentations or material prepared by senior management and employees of the Company to familiarize new directors with the Company's strategic plans, its significant financial, accounting, and risk management issues, its compliance programs, its Code of Business Conduct and Ethics, its principal officers, and its internal and independent auditors. All other directors should also be invited to attend the program. The board of directors will also consider whether or not continuing education for all directors may be warranted. The Company will pay the expenses for a director's participation in continuing education programs approved by the CG&N Committee.

### **Limitation**

These Governance Principles are not intended to, and do not, create any legal or fiduciary duties or other responsibilities or form the basis for a claim of breach of fiduciary duty or potential liability. These principles are subject to modification and interpretation of the board. These principles do not modify the Company's bylaws and are subject to the Company's bylaws and certificate of incorporation.