Tax Risk Management Strategy

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This document summarizes our approach to tax risk management.

Introduction
Apache Corporation’s (“Apache’s”, or “the Company’s”) vision is to be the premier exploration and production company, contributing to global progress by helping meet the world’s energy needs. Apache’s mission is to grow in an innovative, safe, environmentally responsible and profitable manner for the long-term benefit of our stakeholders with a strategy to take a differentiated approach to the exploration and production of cost-advantaged hydrocarbons through innovation, technology, optimization, continuous improvement and relentless focus on costs to deliver top-tier, long-term returns.

During 2019, the Apache North Sea fields experienced strong well performance, high production efficiency, and saw continued positive effects from water injection. Apache is in constant pursuit of continuous improvement, driven by innovative thinking so we can advance our technologies to build a sustainable future. Drilling activities are on schedule and several of the recently drilled wells have produced better results than anticipated, with the region being on track to exceed the year’s production goals, due to the strong portfolio of assets.

At Apache, we understand the importance of paying taxes arising from the extraction of resources. Paying taxes are one of the ways we help to increase the standard of living and support economic growth in all the locations in which we operate. Apache contributes through taxation wherever it operates to support local goals and assist in driving up economic growth and the standard of living. From the ground up, Apache firmly believes that people are our greatest asset.

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 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
Tax risk is mitigated at Apache through the application of sound processes and controls. Every process or control is periodically reviewed to keep track of the implications of new or updated legislation and to reinforce each department’s sense of responsibility and accountability. With the assistance of these processes and controls, Apache continues to comply with tax law; meet its reporting obligations; remit cash taxes when due and will disclose all required information. One
fundamental example of this is that Apache maintains its processes and controls to prevent tax evasion, in line with the Criminal Finances Act 2017.

As part of Apache’s core strategies, it will neither enter into artificial tax arrangements nor take positions on tax which could compromise Apache under full scrutiny. Apache does not adopt tax schemes that lack commercial substance and keeps track of both UK legislation and EU directives (i.e., the EU Anti-Tax Avoidance Directive) so that it can remain compliant with them and the pending legislative or regulatory changes pertaining to them.

Apache is diligent, professional and acts responsibly with all tax matters. Tax positions undertaken are structured to minimise risk and uncertainty and provide a high level of comfort - as judged by external advisers or evidenced by a ruling or clearance from tax authorities.

**People and Organisation**
Apache encourages the relevant training and support for tax personnel, which assists in the continuous improvement of skills and expansion of technical knowledge. The main purpose of this is to focus on efficient and accurate tax accounting, but also to have confidence in tax related responsibilities.

Every tax team member within the North Sea Tax Department is allocated individual targets to enhance the capabilities of the tax department and therefore advance the corporate goals of Apache and Apache North Sea. Targets may be, but not limited to, focusing on improving the timeliness and accuracy of tax returns and reports, corporate governance and continued compliance with requirements for reporting and disclosures. Having the right software systems in place assists in meeting these goals; therefore, Apache selects and utilises only the most appropriate and effective software systems for the North Sea Tax Department.

**Relationships with Tax Authorities and Peers**
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 remains involved with industry-specific professional bodies, particularly where discussions focus on UK taxes. This allows for Apache’s thoughts and information to be shared with the Government and HMRC regarding technical tax matters.

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.