INTRODUCTION

This document summarizes the tax risk management approach of Apache Corporation’s (‘Apache’s’, or the Company’s”) UK group and is published in compliance with Finance Act 2016, Schedule 19.

Apache’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.

Apache’s UK group consists of wholly owned, indirect subsidiaries with tax residency in the UK. All UK tax resident subsidiaries of the Company are incorporated in the UK, except for one, which is incorporated in the Cayman Islands.

APACHE UK GROUP TAX STRATEGY

Apache’s UK group tax strategy is designed to promote:

1. Fair, accurate and timely disclosure in tax returns, reports, and documents that Apache 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 UK 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.

TAX RISK MANAGEMENT AND GOVERNANCE

Apache’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’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.

At Apache, our established internal controls policies and procedures are applied to minimise any potential tax risks. These established policies and procedures are continuously evaluated against contemporary legislation to ensure they are appropriate and effective where they need to be. By applying these processes and controls, Apache can comply with tax law; fulfil reporting obligations; remit cash taxes when due and disclose all necessary information. An annual review of internal controls is conducted by Apache’s internal audit team as well as by a third-party auditor to ensure we adhere to the policies and procedures.
In order to improve its functions and efficiency, Apache encourages the relevant training and support for personnel in the tax department. Relevant training focuses on the development of skills and the expansion of technical knowledge. Part of this continuous improvement program is the allocation of individual targets for each employee. These individual targets pertain to tasks such as: improving timeliness in tax returns and reports, corporate governance, evaluating compliance with reporting requirements and disclosures or learning/improving the use of the most up to date and effective software systems. The end goal is to increase the tax department’s reliability and accuracy in tax accounting. The outcome of this is that Apache can advance its own corporate goals.

A regular review of significant tax risks is conducted by the Vice President of Tax, Tax Accounting Director and International Tax Manager. The Vice President of Tax provides regular and continuous updates to the Company’s Chief Financial Officer on Apache’s significant tax risks and how the tax risks are being controlled.

TAX PLANNING

Apache’s core strategies focus on prudence; it will not enter artificial tax arrangements or take undesirable positions on tax which would be damaging under legal scrutiny. As such, Apache monitors UK legislation and EU directives such as the EU Anti-Tax Avoidance Directive in its effort to remain compliant and to deny tax schemes that lack commercial substance.

Tax matters are critical to Apache’s future and so we are diligent, professional and responsible in our approach. All tax positions undertaken are structured to minimise risk and uncertainty – as judged by external advisers or evidenced by rulings/clearances from tax authorities.

RELATIONSHIP WITH TAX AUTHORITIES

Apache 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 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.