



Proxy Voting Policy for iShares MSCI  
All Peru Capped Index Fund

*Policies Governing Fund Delegation of Proxy  
Voting of Portfolio Securities*

July 1, 2011

## I. INTRODUCTION

The iShares Trust (the “Trust”) has approved separate proxy voting guidelines for the iShares MSCI All Peru Capped Index Fund (the “Peru Fund”) and has delegated to Governance for Owners (“GO”) the responsibility for voting proxies on the portfolio securities held by the Peru Fund.

## II. PROXY VOTING POLICIES

GO offers independent voting services on environmental, social, and corporate governance (ESG) matters. GO’s usual approach to voting policies is to observe the International Corporate Governance Network’s Statement of Corporate Governance Principles supplemented by the specific code of the relevant market. For Peru, the specific market code is the Principles of Good Governance for Peruvian Companies published in 2002. It is not a policy which can be directly used in voting, as it does not set specific guidelines for implementing the principles it espouses, and it takes a comply or explain approach. Companies are required to file with the Lima Stock Exchange (BVL) a self-assessment of their compliance with each of the key principles in the Code and most include this in their annual report. Various reports from the OECD and similar NGOs on the observance of the Code suggest that companies find it difficult to accurately assess their compliance and that there is considerable room for improvement in implementation, both on the part of companies and the authorities responsible for the governance framework.

GO’s assessment of the governance of companies, and the merits of specific proposals, will be dependent on the information available in the public domain. GO will always endeavour to refer to company websites, proxy research provided by third parties and annual reports from previous years in an effort to build a better understanding of a company. Nonetheless there will be instances where reporting for the current year is neither adequate nor timely and other sources not that informative. GO will then make a ‘best efforts’ recommendation in these situations.

GO believes that the most important routine resolutions are related to the appointment of directors and the auditors, and by implication the independence of these parties. In large part this is because Peru’s is a relatively small and close knit corporate community and the ownership structure means that majority shareholders usually have board representation. They are also important because related party transactions struck without the oversight of independent directors (and based on the financial assessments of independent auditors) have the potential to work to the disadvantage of minority shareholders.

The Peru Fund votes (or refrains from voting) proxies in a manner that is consistent with these principles. In some cases, it may be in the best interest of shareholders of the Peru Fund to refrain from exercising the Peru Fund’s proxy voting rights. GO, as proxy voting agent for the Peru Fund, will vote (or refrain from voting) on specific proxy issues in accordance with its proxy voting guidelines. The Peru Fund votes (or refrains from voting) proxies without regard to the relationship of the issuer of the proxy (or any shareholder of such issuer) to the Peru Funds, the Peru Fund’s affiliates (if any), BlackRock Fund Advisors (“BFA”) or BFA’s affiliates, or the Distributor or the Distributor’s affiliates.

With respect to certain specific issues:

- In the Code, independent directors are defined as “those selected for their professional prestige and who are not connected to the company management, nor to the control group of the same”. The Code also states that a “sufficient number of directors should be elected, capable of exercising independent judgment”. Although the number of directors considered “sufficient” is

not specified, GO would normally expect it to be a third to a half of the board. That said, assessing true independence is difficult, because: (i) the biographies of directors given in the annual reports of most Peruvian companies are sparse on details (although any conflicts of interest are meant to be declared according to the Code); and (ii) companies do not disclose, prior to the meeting, details of the proposed director(s) to be appointed. Such information is only disclosed during the shareholders' meeting. In voting, we would normally vote for the (re-) election of directors unless GO had strong concerns that a lack of independent directors had resulted in decisions or outcomes that were detrimental to minority shareholders. In making that assessment, GO will review the composition and charters of board sub-committees where this information is available. Some issuers follow a local market practice that effectively renders it impossible to actively oppose director candidates. In those circumstances, when GO determines to oppose a director, the only manner in which to register opposition will be to (i) refrain from registering any vote at the meeting or (ii) present an alternate candidate.

- Auditor independence can be assessed by using as a proxy the level of fees earned from non-audit work done by the auditors for the company. The Code recommends that this information is disclosed. GO would normally expect that non-audit fees did not exceed audit fees. Unless there were extenuating circumstances (e.g. a major corporate transaction that required corporate finance advice) GO would vote against the auditor-related resolution where this is on the agenda if the non-audit fees exceeded audit fees. GO would also vote against the appointment of the auditor when its identity has not been disclosed by the company.
- The Code recommends that resolutions on the agenda of the general meeting of shareholders do not include generic matters. GO would normally withhold votes or vote against such resolutions as 'Any other business', depending on our overall assessment of the board and its past actions.
- Amendments to a company's articles of association are meant to be put to shareholders for approval. GO would normally expect to vote in support of such a resolution but would withhold votes or vote against where the proposed changes weakened minority shareholder rights or were otherwise detrimental to the interests of minority shareholders.
- The other significant area of business on which shareholders ought to be able to vote is significant acquisitions or divestments. GO would assess these on a case-by-case basis, taking into account the merits of the proposed transaction and whether it would seem to benefit all shareholders.

### **III. CONFLICTS MANAGEMENT**

GO seeks to apply the Peru Fund's proxy voting policies consistently across all proposals and issues votes strictly according to the Peru Fund's policy in order to minimize conflicts of interests. GO also maintains policies and practices that are designed to neutralize and guard against any conflict of interest that could arise between the issuer of the proxy (or any shareholder of the issuer) and GO or GO's affiliates. In certain instances, GO may engage a qualified third party to perform a proxy analysis and issue a vote recommendation as a further safeguard to avoid the influence of a potential conflict of interest.

Information with respect to how GO voted proxies relating to the Peru Funds portfolio securities during the 12-month period ended June 30 is available: (i) without charge, upon request, by calling 1-800-iShares (1-800-474-2737) or through the Funds' website at [www.iShares.com](http://www.iShares.com); and (ii) on the SEC's website at [www.sec.gov](http://www.sec.gov).

©2011 BlackRock