



**Strathmore**  
UNIVERSITY

**STRATHMORE LAW SCHOOL  
MASTERS OF LAW (LL.M)  
END OF MODULE MAIN EXAMINATION  
LLM 8306: CORPORATE GOVERNANCE AND BUSINESS ETHICS**

Date: **Friday, 12<sup>th</sup> July 2024**

Time: **3 Hours**

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**Instructions**

1. This examination consists of **FIVE** questions.
  2. Answer **Question one** and **any other two** from questions 2 to 5
  3. This is a closed-book examination.
  4. You should spend a fair amount of time organizing your thoughts before starting to write.
  5. Careful organization and clarity will be highly valued.
  6. Please start each question on a new page.
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1. (a) Gregory and his other twenty- two friends would like to form and register a company in Kenya. They have come to you for advice on the corporate governance model they can put in place to ensure the success of their company once formed and registered. Using relevant examples, explain any two models of corporate governance they can use. In your explanation, illustrate the key features of each model, as well as two advantages and one disadvantage of the models you've advised on. (15 marks)
  
  - (b) In corporate governance, it is possible for a company to enter into what is referred to as related party transactions. However, the law puts in place mechanisms to safeguard the interests of the company as a whole in the event of such transactions. Discuss any three of these mechanisms. (15 marks)
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2. The Kenyan law requires companies formed and registered in Kenya to have a board of directors, who are usually appointed by the shareholders/members of the company. The shareholders of Macheo Ltd would like to appoint four more persons to their existing board of directors. The majority shareholders have approached you and sought your advice of the selection and appointment of the four new directors. Using relevant illustrations, explain to them the following key aspects:
    - (a) Board diversity

- (b) Attributes required of a good board member
- (c) The balanced board (15 marks)

3. In most companies, one of the most challenging issues is maintaining the right persons at the board. One way of addressing this issue is by fixing the remuneration packages for the executive and non-executive directors. The remuneration committee of Cleansafi Plc has approached you for your legal advice. As a corporate governance student, explain to the remuneration committee five factors/considerations it will take into account when determining the remuneration levels of the directors, especially the executive directors. In your explanations, illustrate why the five factors you have chosen are important in attracting and retaining the right candidates into the positions of the directors. (15 marks)
4. In corporate governance, the shareholders or members of a company appoint the board of directors, which is tasked with providing overall direction of the affairs of the company. These shareholders rarely get involved in the day to day running of the affairs of their company unless they are also members of the board of directors. Yet, the law gives shareholders limited mechanisms to control the board of directors. Using relevant examples, discuss three of such mechanisms. (15 marks)
5. The law requires all companies to be audited unless exempt. In relation to this statement, discuss the role auditors play in shaping corporate governance practice and trajectory in Kenya. (15 marks)