COMPANY ANNUAL REPORTS: ANALYSIS OF THE GENRE WITH REGARD TO COMMUNICATION STRATEGIES

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Abstract

Communicating an objective message effectively and presenting oneself in a favourable light at the same time is of utmost importance in business. This paper analyses the genre of non-tabular sections of company annual reports, whose main aim is to reinforce a positive image of the company in the eyes and minds of different sorts of its stakeholders. The focus is on the specific arrangement and choice of lexis and syntax which are expected to contribute conveniently to achieving an intended goal in this type of impersonal and distant communication, consisting of provision of data as well as self-promotion. Linguistic means used to convey associative as well as purely denotative components of meaning, anticipation of the inferences of the reader and a desirable degree of vagueness have been analysed on a corpus of annual reports of large corporations operating in different industries.

Key words

annual report, associative meaning, communication strategies, genre analysis, inference, objectivity, pragmatic strategy, reference, self-promotion

1   Introduction – premises of the research

The principal goals of company annual reports are to communicate an objective message regarding a company's economic situation, specifically its financial position, effectively and present the company in a favourable light. These two main goals, however interconnected they may be, utilise two different communication strategies. The former is based on reference to objective facts through appropriate language means, encoding thus proper entailments in the sentences, whereas the latter rather employs various strategies to implicate some meaning and ensure that addressees make desirable inferences (as it is not always the currently observable facts that are communicated). It is very likely that writers of company annual reports share the same pragmatic strategies and a large degree of similarity will be thus established in the "soft" parts of annual reports, i.e. in non-tabular (or text) sections.

2   Goals and methods of the research

This paper intends to study the examples and linguistic correlates of pragmatically conditioned strategies in text sections of company annual reports. The approach to facts and their interpretation in such non-tabular sections of annual reports will be compared with the purely objective approach in tabular ones (i.e. financial statements). The analysis also aims to identify the writer's meaning, anticipate the inferences of the reader and establish the corresponding components of meaning (i.e. denotative vs. associative) in identical or equivalent text-types. This reveals the way authors work to achieve the desirable persuasive effect, either by explicitness or vagueness of expression. The main assumption is that in the genre of non-tabular parts of annual reports the pragmatic dimension is particularly evident. The pragmatic dimension established by analysing the texts concerns "what people using language are doing, and accounting for the linguistic features in the discourse as the means employed in what they are doing" (Brown & Yule 1983: 26).

The questions asked in such research (not all of them will be fully covered by the present paper) may be divided into two groups. The first of them deals with the (non-tabular parts of) annual reports (ARs) as a genre:

– What are the main functions of non-tabular parts of company annual reports?
– Who is their target audience?
– Are the texts making up annual reports conventionalised in terms of form and content?
– What is the possible overlap with other genres?

The other group of questions address the proportion of objective facts and implicatures, persuasive devices, etc. and seek the corresponding linguistic means:

– Are there any specific patterns and choices of lexis and syntax regarded as the most convenient to achieving intended goals?
– Do non-tabular sections of annual reports reflect the uniqueness of individual companies or do they create a generally positive image?
– What strategy/strategies is/are chosen to refer to unfavourable results or difficulties?

The theoretical framework of the research is derived from the concept of genre analysis as elaborated in Swales (1990) and discourse analysis as defined in Brown and Yule (1983) and Carter (1997), since annual reports are conceived here as a distinct genre with their own purpose, form, content and conventions.

The analysis looks into the lexical and grammatical properties, as it centres on objectively identifiable markers of the genre and their functional use. As Carter emphasises, "it is a knowledge of grammar that allows recognition of the typical configurations of language which societies assign to culturally significant texts, such as narrative, report, argument, instruction, explanation and so on" (1997: 27). Means contributing to the cohesiveness and coherence of the given discourse are discussed as well. The necessity of studying regularities (or regularly occurring deviations from the "common core") in use of linguistic features at all levels of language to gain an objective picture of the given discourse is generally based on the methodology suggested by Crystal and Davy (1969), further discussed e.g. in Knittlová (1990).

The result of analysis of several texts belonging to the genre has yielded an incomplete and not simply definable set of pragmatic goals and strategies. Pragmatic strategies are conceived here as those types of linguistic behaviour of authors of annual reports which do not only communicate the content, but also aim to offer some kind of interpretation of its component facts or, ideally, even hope to make readers interpret the content in a desirable way. Such implicatures and inferences and their linguistic reflection are seen as somewhat contrastive with reference or the referential function, which is defined more or less analogously though given different labels in different sources, for example, Bühler's representative, Halliday's ideational, Lyons's descriptive, Brown and Yule's transactional, as well as Jakobson's referential function as used here (Brown & Yule 1983: 1). However, pragmatic strategies are not seen as co-referential with the expressive, interpersonal, social-expressive, interactional or emotive function used in functional dichotomies by the above-mentioned linguists respectively. Pragmatically determined strategies contribute both to efficient and precise communication of "factual or propositional information" (ibid.: 3) and to maintaining some kind of social relationships, with restrictions stemming naturally from the rather impersonal and objective characteristics of the genre in general.

As far as the objective and factual referential function is concerned, Wales (2001) states that, "the referential function of language is basic to communication, and its significance has been recognized in many categorizations of the functions of language, e.g. Bühler (1934) and Jakobson (1960); cf. also Halliday's ideational function (e.g. 1973). It has sometimes been argued that the referential function or referential meaning is foregrounded or more prominent in certain types of discourse than others; e.g. technical or factual reporting vs. poetic language" (ibid.: 336). Reference along with inference and implicatures are considered here as pragmatic concepts identifiable in analysis of the discourse (cf. Brown & Yule

1983: 28, 35). The notion of writer's (speaker's) meaning and its translation into linguistic expression is largely based on Mey (1993).

The main corpus of annual reports consists of six company annual reports, produced by large and often multinational businesses active in a variety of industries: power generation (International Power), consumer electronics (Yamaha), automobile manufacturing (Toyota), oil and gas extraction (Marathon), banking and financial services (Kaupthing Bank), and insurance (Nationale Suisse). In addition to these sources, examples were sought in materials available in electronic format, such as the ARs of US drilling companies Gastar and Cano.

3   Pragmatically determined strategies in companies' annual reporting

As it has been suggested, despite their name, annual reports perform more functions than mere reporting, whether they are produced by companies, non-profit organisations or institutions. Equally important seem to be some non-referential, interpersonal and conative functions such as (self-)promotion, persuasion, and assertion, to mention just a few.

As the pragmatic effect of annual reports, i.e. the impression on and ensuing reaction by the readers, is one of the principal considerations made while writing an annual report, the authors must identify properly their prospective readers. There exists a diverse readership of annual reports, which may be matched with the types of stakeholders that companies or institutions have. Stakeholders are defined as "all those with interests in an organisation, for example, as shareholders, employees, suppliers, customers, or members of the wider community (who could be affected by the social or environmental consequences of an organisation's activities). Stakeholders may be users of the annual accounts and report of the organisation and dependent to some degree on its financial position and performance" (*Oxford Dictionary of Accounting* 2005: 355). The concept of stakeholders thus includes not only shareholders or other contributors of companies' capital, but also individuals and entities dependent on the company in other ways, not always and only financially. It is also very likely that the envisaged readers of the text (or non-tabular) sections of annual reports and their tabular sections (consisting of financial statements for the year and for a longer period, for the company and for the group, etc.) are different, which then reflects different foci of interest of individual stakeholder categories.

The prime considerations in writing a company annual report (AR) may be summarised as a set of questions the writer must pose and answer, i.e. mostly his inferences of the addressees (Wallace 1998, subquestions and options removed):

1. What are the organizational expectations regarding annual reporting?
2. How are ARs used in your organization – planning, evaluation, control, unclear?
3. Who are the primary AR reader(s) – the policy makers and decision makers?
4. What are the professional perspectives, the communication styles and specialized jargon of the primary AR reader(s)?
5. Who are the secondary AR readers?
6. What is your purpose in writing the AR?
7. Do you have or do you need to seek out critical planning information from the parent organization that may shape your future?
8. What formal or informal reporting instruments augment the AR?
9. What actions and activities have priority, how much time do you have to prepare the AR, and what can you delegate to staff?
10. Where are the industry or professional standards for your operation(s) that can be used for best practices norms or that your principal may use to put your achievements in perspective?

Similarly, Miller (*About.com*) suggests to nonprofit companies (with most things holding true also for commercial companies, with some adaptation) several functions that their annual reports shall perform:
- communicate not just your activities, but your accomplishments during the past year;
- convince existing supporters that their funds are being well spent and help you raise money by attracting new donors;
- educate community leaders and influential decisionmakers about your work on important issues;
- recognize special people including donors and volunteers; and
- serve as a historical record of your progress.

Company annual reports generally respect conventions associated with the formal business or administrative style, particularly the genres of report and summary. Several features of the text parts of annual reports are also identical with structural components of business/sales letters, as the principal functions of both genres are the same. They promote and (hopefully) sell a product to existing and potential customers, whether it is a consumer good or service or a company (i.e. a sort of investment good for its shareholders). Bhatia (1993) in his analysis of two types of business letter, viz. a sales letter and a job application, among other features which are rather specific to the mentioned subgenres, mentions

the following features which are clearly identifiable in annual reports as well: enclosing documents (ibid.: 53), establishing credentials (ibid.: 49) and lexical boost (ibid.: 51-52, referring to Teh 1986). An overlap with the style of advertising may be established in some respects, too. As Bhatia observes in relation to lexical boosters, "the use of such modifiers is an essential part of product evaluation in the rhetoric of advertising and is fully exploited by the writers of sales promotion letters for product detailing" (ibid.: 52).

Lexical boost (or the use of denotatively or associatively positive words as well as intensifying expressions) is both a linguistic and a pragmatic device, whereas the two formerly mentioned ones are rather pragmatic tools, demonstrating the promotional importance of annual reports.

Apart from the above-mentioned strategies, Borovičková (2008: 33) also mentions politeness and friendliness (expressed through personality features), diplomacy (or politic behaviour) and tact (courteousness).

4 Lexical and grammatical analysis of the non-tabular parts of ARs

4.1 Lexical means

The lexical means characterising ARs seem, to a considerable degree, to be identical with those used in the language of advertising, namely in advertising copies (cf. Crystal 1995: 338). Similarly to the previously discussed affinity to sales correspondence, the pragmatic strategies used in company annual reports may be described as overlapping with those used in genres with promotional objectives. The corpus of six company ARs has provided the following examples of characteristic lexical means:

4.1.1 Positive words

Nouns: *excellence, experience, expertise, growth, improvement, leader, perfection, potential, quality, resolve, responsibility, success*

Adjectives: *all, appropriate, attractive, clean, competitive, excellent, first, focused, full-fledged, in-depth, new, qualified, record, safe, significant, successful, sustainable, untiring*

Adverbs: *consistently, efficiently, exceptionally, quickly, rapidly*

Verbs: *achieve, benefit, boost, capitalize, continue, develop, profit, raise, secure, streamline, strengthen, strive, uphold*

Examples 1 and 2 reveal a very similar (and frequently used) strategy, namely boasting of record business results, lexically abundant in superlatives and very positive or unreserved expressions. Examples 3 and 4 illustrate the same strategy further.

(1) ***Very good results across the board***. *Group **profit reaches record** level. Insurance companies in Switzerland **enjoyed excellent** conditions in 2006. (...) Group **profit** of CHF 63.7 million (2005: 23.7 million) is the **best ever** reported by Nationale Suisse. **All** three segments – non-life, life and investments – made **outstanding contributions** to overall **profit**.* (Nationale Suisse *AR 2006*: 30, Review of the Group)

(2) *1. Performance Overview*
*In the fiscal year ended March 31, 2007, Toyota **posted record business results across the board**. On a consolidated basis, Toyota **achieved a year-on-year increase** of 550,000 units in vehicle sales, to 8,524,000 vehicles; a 13.8% **increase** in net **revenues** (...)* (Toyota Motor Corporation *AR 2007*: 16, Message from the Executive Vice President Responsible for Accounting)

(3) *Marathon's **values enhance** our **ability** to create **exceptional** operational performance in **all** aspects of our business.* (Marathon *AR 2006*: 7, highlighted statement)

(4) *Amid the most challenging economic times our country has encountered, I am **pleased** to report that Cano Petroleum's financial **health** has **never been better**.* (Cano Petroleum *AR 2008*, Dear Shareholders)

Here the strategy of suppressing negative aspects and viewing them as motivators, challenges, has been also utilised. Compare with Examples 5 and 6 expressing the same stance:

(5) *I view this environment of low commodity prices and challenging markets as an **opportunity**. **Opportunity** to be **responsive**. **Opportunity** to deliver **results**. **Opportunity** to **build** shareholder **value**.* (Cano Petroleum *AR 2008*, Dear Shareholders)

(6) *Our values **encourage** us **not to be satisfied** with our current exploration and production **success**, but to **look for** even **greater achievements** to meet **growing** energy needs.* (Marathon *AR* 2006: 8, highlighted statement)

4.1.2 Unreserved words

Nouns: *excellence*, *perfection*, *record*

Adjectives: *all*, *best*, *best-selling*, *crucial*, *exceptional*, *entire, intact*, *relentless*, *tremendous*, *unique*, *unprecedented*, *untiring*, *world-class*

Adverbs: *always*, *continuously*, *fully*, *never*

Verbs: *accomplish*, *eliminate*, *succeed*

The category of unreserved words is based on Crystal (1995: 338), who lists them separately alongside positive words, although overlapping (e.g. *excellence*, *perfection*, *best-selling*) and unclear divide between them is obvious. The combination of positive and unreserved words is evident in the following extracts (even general expressions such as *revenue*, *potential*, *reserve* and *value* must be included in this set due to their positive connotations):

(7) *Cano Petroleum's secondary and enhanced oil recovery model positions the Company and its shareholders to **capitalize** on a **tremendous opportunity** in the energy sector. The company's focus on mature onshore US oil fields **eliminates** many of the risks associated with oil and gas exploration and production, while at the same time **creating the potential** for **exceptional returns** using technology to exploit known oil assets that were previously uneconomical to produce. Cano will use **its own** in-house **expertise**, along with that of its consulting partners, to determine the **best** method for additional oil recovery. The **potential** for **significant upside** comes in the **ability** to turn no-cost probable and possible **reserves** into proved **reserves**, with the attendant **increase in value** and production **revenues**.* (Cano Petroleum *AR 2008*)

(8) *We **ensure** that **all** acquisitions and greenfield projects are **quickly** and **efficiently** integrated into our regional business structures.* (International Power *AR 2007*: 13, Strategy and Group overview).

(9) *We have **excellent experience** of developing **large** capital intensive infrastructure projects – from selecting the **appropriate** site, **securing** multiple government/stakeholder **approvals**, project managing the **entire** construction programme right through to **successful** commercial operation. Our **significant growth** in the Middle East is **the most graphic** example of our greenfield development **expertise** (…)* (Ibid.: 14)

(10)   *In the United States, Toyota achieved a new vehicle retail sales **record** for the 11th year in a row, amounting to 2.60 million vehicles. The Camry, **fully remodeled** in fiscal 2006, sold **well** and in 2006 **retained** its title as the **best-selling** passenger car in the United States for the fifth year running.* (Toyota *AR 2007*: 39)

Boosters (cf. Bhatia 1993: 51-52, referring to Teh 1986) are adjectives and adverbs which intensify the meaning of the adjacent nouns, and verbs or adjectives, respectively. These modifiers seem to be used both for the pragmatic reasons of semantic intensification, i.e. a boost of meaning, and stylistic complexity and completeness, i.e. filling the potential slots in syntactic patterns instead of leaving them unoccupied. It sounds stylistically more elaborate and appropriate if a phrase is complex thanks to the use of boosters (e.g. *it is highly important*; *we have excellent experience*; *profit increased dramatically*) than if the head words are left unmodified (e.g. *it is important*; *we have experience*; *profit increased*).

4.1.3   Vivid expressions (metaphors, idioms)

Despite the effect on recipients which figurative language normally generates, company annual reports use it rather rarely, as a matter-of-fact and objective style is preferred. However, some common idioms and metaphors linking source (economic matters) with target areas of growth, conflict, building, etc. may be identified, particularly in texts dealing with strategy, trends, competition, market conditions, etc. All of the following examples (11-13) demonstrate combinations of several metaphorical allusions.

(11)   ***Building** a **Platform** for **Growth*** (Toyota *AR 2007*: subtitle)

(12)   *With the rapid global **expansion** of our operations, we must improve quality in many different areas to **build a solid foundation** for sustainable growth.* (Toyota *AR 2007*: 20)

(13)   *However, among auto manufacturers competition for **survival** in global markets will likely get stronger. We have **entered an age** in which only the truly competitive will prevail.* (Toyota *AR 2007*: 21)

Interestingly enough, bound within the first-quoted brief slogan in Toyota *AR 2007* are actually three component concepts typical of conceptual metaphors: *building*, *platform* and *growth*. These and similar concepts tend to collocate in

ARs. In Nationale Suisse *AR 2006* the subtitle of **"Foreword by the Chairman of the Board"** is *Building the Future on Tradition* (14). In Toyota *AR 2007* the platform of a car is likened to the platform of a business, elaborated then as a conceptual metaphor.

(14)　　*The **platform** of a car largely determines basic performance and driving feel. Without solid **bases**, vehicles lack stability and comfort. Companies are the same. They need strong **platforms** to perform well and keep growing.*
　　　*In Toyota's management **platform**, technological, supply, and sales capabilities drive growth, supported by quality, cost, and human resources. At Toyota, we are building a rock-solid management **platform** that will launch us toward new levels of achievement.* (Toyota *AR 2007*: 2, Building a Platform for Growth)

Logically, *growth* is a ubiquitous metaphorical concept in almost all annual reports. For example, the address by a CEO of Kaupthing Bank *AR 2006* is titled **"Year of organic growth" (5-8) with "Prudent growth"** as the subtitle in one of the sections and several occurrences of this word in the whole text.

Vivid expressions (i.e. those arousing rich associations, e.g. sensory, motion ones) also appear in special short sections in which the companies' products, activities, executives or customers are presented so that the readers of ARs are provided with concrete examples. This exemplification borders on promotion and its style is very close indeed to the style of advertising copies. For example, the *AR 2006* of Kaupthing Bank of Iceland is interrupted several times by double page photographs of famous clients as well as its own executives with a paragraph on each double page describing their affiliation with the bank (Examples 15 and 16).

(15)　　*Despite Gordon Ramsay's **booming culinary empire** (with nine restaurants in the UK alone, ten Michelin stars, five television programs, and three Catey awards), food remains Ramsay's **bread and butter**, just as it should be. But his great **taste extends beyond the palate**, as he had entrusted his private banking business to Kaupthing Bank, as well as mortgage services for his properties and debt financing for funding. (...) We'll **stand the heat**, so he can stay in the kitchen.* (Kaupthing Bank *AR 2006*: 9)

(16)　　*Beginning his life as a professional boxer, Sven Olof Johansson proved himself over decades to be a **champion** in Swedish business. As his partner*

> in private and investment banking, Kaupthing Bank proudly **stands by his side** as he shows that **swift and bold** decisions bring great **victories**. (Kaupthing Bank *AR 2006*: 113)

Notoriously enough, Kaupthing Bank was one of the three large Iceland banks that had to be taken over by the government eventually during the 2008/2009 global financial crisis to save it from bankruptcy as it attracted clients by promising unrealistically high returns.

4.1.4 Technical terms or concrete words

Necessarily, companies must demonstrate in annual reports their expertise in the areas of their activity. Technical terms or generally concrete words, understood here as lexemes with a rather narrow field-of-activity-specific denotation (cf. Crystal 1995: 388) including facts and figures about business and products underpin this strategy. In the same way as in advertisements, where the impression of scientific quality and technological up-to-dateness is particularly sought in some products, ARs refer to details for identical reasons. Another motivation is also the above-mentioned exemplification, provision of concrete examples.

Apart from common nouns for different products produced and actions taken, even more concrete and more specific words occur in texts of annual reports. On the other hand, by far the majority of nouns, adjectives and verbs, particularly those related to the financial side of annual reports, must be considered as abstract and general (though they are used in concrete contexts and have their concrete referents in the reports).

(17)   *Demand for **magnesium parts** continues to expand in particular as mobile phones become thinner and amid pronounced growth in the market for high-end digital single-lens reflex cameras.* (Yamaha *AR 2007*: 34)

What is understood under the term 'concrete word' in its application for pragmatic purposes differs from the usual semantic distinction 'concrete' vs. 'abstract', corresponding to 'material' vs. 'immaterial' in terms of their referents. Concrete words denote both material and immaterial entities, provided that they manifest a company's specifics, i.e. unique products, technologies, sources, product features, etc., mentioned to convince readers of ARs of the company's expertise, as well as of the objectiveness of the account represented by the annual report. Therefore, the mostly immaterial concepts quoted in the following

extract will be regarded as concrete words from the pragmatic point of view, in compliance with the above definition.

(18) *We use **net reporting for CO$_2$**, which reflects our ownership interest in a power plant. Whilst we measure the **carbon intensity** of our output, and seek to reduce it, we do not have a specific target for reducing total **CO$_2$ emissions**. There are two principal reasons for this. Firstly, we are a growing company and any **fossil fuel stations** we add to our fleet will add to our aggregate **CO$_2$ emission level**. Secondly, we are a demand-led industry.* (International Power *AR 2007*: 73)

For the same reason, proper nouns and figures will be regarded as concrete words as well, since they carry highly specific, concrete information about a business (Example 19, cf. also Example 28). Maps, diagrams, charts, etc. also perform the same function.

(19) *In **the Middle East** the demand for power and water continues to grow strongly, driven by economic growth and expansion. The markets in which we operate (essentially **the Gulf States** of **the UAE, Qatar, Oman, Bahrain** plus **Saudi Arabia**) require some **50,000 MW of** additional **power capacity** – and very significant additional **desalinated water market capacity** – by the **year 2015**.* (International Power *AR 2007*: 44)

4.2 Syntactic means

The pragmatic effect of syntactic means – just like the effect of lexical means – consists in their contribution to a desirable impression on recipients, i.e. in communication of the implicit message about a company. As Mey (1993: 98-99) suggests, "the true concern of pragmatics is not whether the rules of grammar have been observed, but whether or not the use of those rules serves to reveal the implicit conditions that govern such a use".

4.2.1 Conversational features

Conversational features are another efficient device which is shared by the style of advertising and some genres of administrative style, namely some texts included in ARs. The purpose of utilisation of these features is obvious – to enhance the impact on the appropriate type of readers by creating the impression of genuine and sincere answers to questions interesting for stakeholders. Sincere-

-sounding reactions are achieved by presumed unpreparedness and spontaneity, which are typical features and benefits of naturally-flowing conversation. The typical structure of conversation, consisting of adjacency pairs (cf. Mey 1993: 248-249) does not have to be followed completely. The answers may be supplemented by subtitles, promotional slogans, etc., not necessarily questions. Questions may also be anonymous, compensating for the outline of an alternative article written in a monologic mode. However, as Levinson observed (1983, quoted in Mey 1993: 249), "pairs are important because they 'steer us' towards a good understanding: 'given an answer, the question is relevant'".

An example of the above-described conversation type is an interview with the President (*Toyota AR 2007*: 10-15) – the interview consists of anonymously asked questions and Mr Katsuaki Watanabe's answers, each with its own heading, summarising the answer in a sentence-long statement. The interview also includes a certain variation of a strategy normally used in business letters (cf. Bhatia 1993), a positive and polite closing, but here it takes the form of an appeal:

(20)　*I would like to ask our shareholders for their continued trust, support and understanding*. (Toyota *AR 2007*: 15)

A specific type of modified conversation with ellipsis of one of the ideal adjacency pairs can be seen in *wh*-cleft constructions, with the main predication included in the following paragraph. They also resemble hypothetical indirect questions (*Could you tell me where you began*?) with the interrogative matrix clause left out and the mood and grammatical person adapted for the purpose of answering. Such a *wh*-cleft clause may also be accompanied with a subtitle, such as in the introductory section of Yamaha *AR 2007*:

(21)　**Heritage**
　　　Where we began
　　　It all started in 1887 with a broken reed organ. The man who repaired it was our founder, (...) (Yamaha *AR 2007*: 03)

(22)　**Craftsmanship**
　　　What we are proud of
　　　A finely crafted musical instrument made from wood or other natural materials is often likened to a delicate living thing. (...) (ibid.: 06)

4.2.2 Personality

Personality (in contrast with typical impersonality in the analysed genre, cf. Knittlová 2000: 128, 138-144), itself rather a sociolinguistic and stylistic concept, is grammatically usually conveyed by the use of the personal pronominal subject (*we*) instead of the nominal subject (*the company*, etc.). Use of the singular 1st person form of personal pronoun and expression of personal feelings also count positively:

(23)   *I firmly **believe** that by strengthening our overall quality in this way **we** will achieve high levels of profitability*. (Toyota *AR 2007*: 11, An Interview with the President)

(24)   *I **would like to** ask **our** shareholders for **their** continued trust, support and understanding*. (Ibid.: 15)

(25)   *I am proud of each employee at Cano. They are the reason this Company is and continues to be a leader of enhanced oil recovery in the United States. Producing oil in America for Americans. Creating jobs in America for Americans.* (Cano Petroleum *AR 2008*, Dear Shareholders)

The last mentioned extract also plays on a patriotic note, not infrequent in most countries of the world, as loyalty to local products or serving domestic customers is often interpreted as something qualitatively higher than dealing with foreign substitutes or markets.

4.2.3 Declarative/indicative sentences

As the referential function is the principal mode of expression in most objective styles, declarative (or indicative) sentences are expectably the unmarked sentence type in ARs (as a predominantly objective genre). However, special pragmatically-conditioned functions also require the use of other sentence types, namely interrogatives (such as in the interviews with chairmen of the board). The occurrence of sentences with predicators in other verbal moods, viz. imperatives or optatives, has not been recorded in the analysed sample.

4.2.4   Variety of tenses

Unlike the verbal mood, which is fairly uniform in ARs (viz. declarative or indicative), the variety of tenses used in these documents is much wider. The present, past, future and present perfect occur in quite equal ratios, mostly with simple verbal aspect. One randomly chosen paragraph (Examples 26 and 27) often reveals this variety sufficiently, since each consecutive sentence has a predicate using a different tense:

(26)   (1) future simple + (2) past simple + (3) future simple + (4) present simple + (5) present simple + (6) present simple + (7) present perfect progressive:
*There (1) **will be** intense competition in the Swiss insurance market in 2007 beyond. This (2) **started to become apparent** in 2006. The winners in this saturated marketplace (3) **will be** those who (4) **stand out** from the competition in retail and SME business and (5) **show** the client that they (6) **can add** value for them at a competitive price. The Nationale Suisse (7) **has been** steadily **preparing** for this competitive upsurge for the past two years.* (National Suisse *AR 2006*: 38)

(27)   (1) past simple + (2) future simple + (3) present simple:
*In December 2007, International Power (1) **agreed to acquire** an additional 31% shareholding in Uch (572 MW plant located in Pakistan) for a total cash consideration of US$ 85.5 million (£44 million). The acquisition from associates of Tenaska Holdings (L) Corp. (2) **will take** International Power's total holding in Uch to 71%. The entire output of the plant (3) **is sold** to WAPDA under a long-term PPA until 2023.* (International Power *AR 2007*: 51)

However, it seems that the variety of tenses varies considerably from report to report. Namely, in the annual reports of International Power 2006 and 2007 the individual texts are rather homogeneous as far as verbal tenses are concerned, using either the present simple consistently where the company's policies and accounting methods are explained, or the past simple where the decisions made and economic results achieved in the past financial year are reported. Similarly, a high proportion of the present simple used for explanation of policies and methods appears in the *AR 2006* of Kaupthing Bank, referring to the past period in question either using the past simple tense, or even the present simple:

(28)   *The Acquisition and Leveraged Finance division's performance in 2006*
       was *very strong, underwriting a total of £1.8 billion, a 110% increase*
       from 2005.
       Acquisition and Leveraged Finance's portfolio, amounting to ISK
       458.3 billion as of 31 December 2006, ***represents*** *approximately 18% of*
       the Bank's total loan portfolio. (...)
       Key transactions in Acquisition and Leveraged Finance in 2006 ***include****:*
       (...)   (Kaupthing Bank *AR 2006*: 79)

From the functional point of view, the application of tenses corresponds to
their usual grammatical distribution, i.e. the past simple refers to past actions
(carried out in the preceding year), the present simple to currently valid states and
descriptions of policies, methods, etc. (as mentioned earlier), the present perfect
to unfinished states or actions, and future simple to predictions and planned
actions. The present tense also replaces the appropriate past tense; stressing the
up-to-dateness of the reports and duration of the facts.

4.2.5   Active vs. passive verbal voice

Although the passive voice is quite frequent in formal documents, the active
voice has its substantial benefits in annual reports (for the use of active voice cf.
e.g. Examples 26-28). As Wallace (1998) claims its particular pragmatic effect:

> Use the active voice as opposed to the passive voice. In the active voice,
> the subject, verb and object are obvious. The reader knows who did what
> to whom. For example: "We reduced operating expenses by 10%" is
> much stronger than "Operating expenses were reduced by 10%" where
> responsibility for the action is unknown. A professional writer, who often
> writes ARs for public companies, says that active sentences are shorter
> and grab a reader's attention faster and are retained longer than passive
> language.

4.2.6   Ellipsis

Elliptical constructions are an efficient tool of condensation, i.e. syntactic
reduction. The most frequent type of ellipsis found in the company annual
reports is an omitted relative pronoun and auxiliary verb(s) in relative clauses,
thus changed into non-finite structures with a participial form of the main verb
kept.

(29)   *In fiscal 2007, **ended** March 31, 2007, Toyota posted new records for net revenues and all income categories for the second year in a row.* (Toyota Motor Corp. *AR 2007*: 9)

Only very infrequently do the ARs use structures with an ellipted subject and auxiliaries in the verb phrase, whose main function is similar to advertising slogans: they highlight the principal achievements, which is supported by large typesize and frequently accompanied by a picture.

(30)   ***Generated** a 29% increase in average daily production growth in the deep Bossier play of East Texas.* (Gastar *AR 2008*: 1, Dear Shareholders)

Another type of ellipsis is represented by omission of predication, with just the nominal component (originally a subject, object or complement) preserved. As in other styles and genres, this type of elliptical construction is used in headings, subheadings, enumerations and for items in charts and diagrams.

4.2.7   Splitting

A powerful stylistic device is also splitting, which generates "communicative tension" (Tárnyiková 1993: 48) by dividing a sentence into isolated parts. Split parts, prosodically equivalent to a complete sentence (ibid.) bring some rhetorically effective devices into the written mode (along with the second type of repetition discussed in 4.2.8).

(31)   *We live to achieve. We live every day what we promise. We do this in a comprehensible and concrete manner. Our values are the guiding principles that lie at the heart of all we do. **Without exception**. **Always**.* (National Suisse *AR 2006*: 9, Our values)

4.2.8   Repetition

Two main types of repetition must be distinguished. The first one refers to repetition of terms without relexicalising or paraphrasing them, which is an essential property of administrative as well as technical texts. The other type of repetition is dictated by purposes of stylistic effectiveness, observing especially the aim of rhetorical gradation, making thus a desirable impression on readers.

(32) ***Opportunity*** *to be responsive.* ***Opportunity*** *to deliver results.* ***Opportunity*** *to build shareholder value.* (Cano Petroleum *AR 2008*, Dear Shareholders)

Structural repetition is also worth mentioning, for example starting all sentences in a certain unit by the same subject or using the same predicator repeatedly throughout a piece of text. The first-mentioned type is illustrated in Example 33 below (cf. also Example 31). Subjects *we* and twice *our* (…) are used exclusively on the whole page of the quoted AR:

(33) ***We*** *develop and offer tailored insurance solutions as well as delivering customised personal services of the highest quality.* ***We*** *are known for being customer-oriented and always nearby when* ***our*** *clients need us.* ***We*** *actively strive to ensure* ***our*** *relationships remain unwaveringly personal, and* ***we*** *always offer clients competent and professional service. (…)* (Nationale Suisse *AR 2006: 9*, Our values)

4.2.9 Vagueness

Vagueness is an undesirable feature in objective styles, but it possesses some pragmatic benefits, particularly when it serves to replace unfavourable explicit alternatives. Vague language is then resorted to when predictions of the future or general accounts of the current conditions are made in addresses by chairpeople, interviews, etc. It is also useful when a downturn or a crisis needs to be commented on, as vagueness enables a company to subdue the real extent of the problem (cf. further in Section 6). The above-quoted extracts from sections "Our strategy" and "Our vision" display the typical vague properties, mostly realised by words with broad and general denotations (and positive associations).

(34) ***Our strategy***
Solid positioning in our home market serves as the basis for the development of further profitable business areas.
Dominate distinctive and profitable niche markets. (…)
Stand out in the market through our core competencies, time to market and quality of implementation.
Achieve strategic flexibility with regard to organisation and capital.
Our values
Ensuring satisfaction – we meet our clients' needs consistently and efficiently. We develop and offer tailored insurance solutions as well

> *as delivering customised personal services of the highest quality. (...)*
> (Nationale Suisse *AR 2006*: 8-9)

No further explanations or answers to possible questions (What position do they have on the Swiss market? What further profitable business areas do they mean? What niche markets are referred to? What are their core competencies? etc.) are provided.

5   Composition of annual reports

Establishing communication strategies in ARs calls for identification of special purposes which need to be met in this type of discourse. The individual key purposes are virtually reflected in the division of ARs into specialised sections, each providing a certain type of information or addressing a specifiable and separable issue. Given the diversity of such sections, interpretation of text parts of ARs as a single genre may be disputed and they may be considered as colony texts (Dontcheva-Navratilova 2006: 45-47, referring to Hoey 1986, 1988). However, ARs as a whole do not fit all the distinctive functions of colonies listed in Dontcheva-Navratilova (2006: 45), unlike some of their sections. Therefore, due to the shared main aims and linguistic devices ARs are treated here as a complex genre on its own.

As the document "Tips for reading an Annual Report" claims (questions removed), there are nine identifiable sections in most Annual Reports. Not all reports will have all the sections or the same type or level of information. (…)

1. Chairman of the Board Letter
2. Sales and Marketing
3. 10 Year Summary of Financial Figures
4. Management Discussion and Analysis
5. CPA Opinion Letter
6. Financial Statements
7. Subsidiaries, Brands and Addresses
8. List of Directors and Officers
9. Stock Price History

In the corpus of company annual reports analysed by the author of this paper, an attempt was made to identify the mutually corresponding non-tabular text sections. The task was not always easy as the content of a section in one report often blends several sections occurring separately in another report or they are not clearly limited within the text of some ARs. Another problem is differences

in the titles of corresponding sections (often related to different positions of analogous texts in the structure of different reports).

There seems to be no authoritative prescription of how many and what type the sections in an AR should be. The structure is rather determined by tradition, local or industry conventions, analogy and the specific needs of the company. However, in an attempt to quantify truly essential sections, Borovičková (2008: 19-20) established five sections shared by most company ARs, although their exact titles vary: "business summary, letter to shareholders, company activities and developments, financial statements, and information about a company".

The corpus consisting of six annual reports used in this paper was analysed for the same purpose, observing the occurrence and equivalence of sections in ARs. It has revealed six sections included in at least four out of six ARs in the corpus (referred to under different headings). The equivalent sections (in the order of occurrence) are the following:

1. **Chairman's/President's/CEO's address:** Chairman's Statement (International Power *AR 2007*)/ Executive Chairman's Address (Kaupthing Bank *AR 2006*)/ Foreword by the Chairman of the Board (National Suisse *AR 2006*)/ Chairman's Message (Toyota *AR 2007*)/ Message from the President (Yamaha *AR 2007*)/ Letter to Shareholders (Marathon *AR 2006*).

2. **Review of the year:** Strategy and Group overview (IP *AR 2007*)/ Year in Review (Kaupthing Bank *AR 2006*)/ Review of the Group/ Year (Nationale Suisse *AR 2006*)/ Business Overview (Toyota *AR 2007*)/ Review of Operations (Yamaha *AR 2007*).

3. **Financial highlights:** Key performance indicators and financial highlights (IP *AR 2007*)/ Key Business Objectives + Market Overview (Kaupthing Bank *AR 2006*)/ Financial Statements + Financial Highlights (Nationale Suisse *AR 2006*)/ Selected Financial Summary (Toyota *AR 2007*)/ Financial Highlights (Marathon *AR 2006*).

4. **Board of directors** (IP *AR 2007*, Kaupthing Bank *AR 2006*, Marathon *AR 2006*, Nationale Suisse *AR 2006* – together with Executive Board)/ Directors and Auditors (Toyota *AR 2007*)/ Board of Directors, Corporate Auditors and Executive Officers (Yamaha *AR 2007*).

5. **Senior management:** (merged with the previous section in Yamaha *AR 2007*)/ Officers (Marathon *AR 2006*).

6. **Corporate governance and/or Corporate responsibility:** Environmental and Social Initiatives (Toyota *AR 2007*)/ Emphasis on Corporate Social Responsibility in Management (Yamaha *AR 2007*).

6 Communication strategies applied in negative circumstances

The strategies used when dealing with negative information deserve some space of their own, as their implementation goes beyond the simple application of suitable lexical and grammatical tools. Writers of annual reports must experience a clash between two possible contradictory approaches – between sincerity, requiring maximal openness to target users, and the need for effective promotion, building a positive image of a company, arousing optimistic attitude and expectations, etc., which could be roughly termed as (making a) positive impression as a whole.

A tempting, but unacceptable strategy would be to conceal difficulties and risks or lie about their real extent. Fortunately, the threat of losing the confidence of stakeholders would indeed be deadly in such a case, and it is also unlikely to hide serious problems from auditors (provided that accounting is not done fraudulently on purpose). Companies that want to be trustworthy and respectable would never dare to do this. Moreover, the accounting and financial reporting systems used globally observe the principles of conservatism and prudence, which does not allow for the possibility of avoiding mentioning negative facts (even though they exist just potentially – cf. Examples 35 and 36).

(35) *There is **no assurance** that Toyota will be able to develop sales techniques and distribution networks that effectively adapt to customer preferences or changes in the regulatory environment in the major markets in which it operates. **Nor is there assurance** that Toyota will be able to cultivate and protect its brand image.* (Toyota *AR 2007*: 62-63).

(36) *There is **no assurance** that Toyota may adequately perceive and identify changing customer preferences and demands with respect to quality, styling, reliability, safety and other features in a timely manner. **Even if** Toyota succeeds in perceiving and identifying customer preferences and demands, there is **no assurance** that Toyota will be capable of developing and manufacturing new, price competitive products in a timely manner with its available technology, intellectual property, sources of raw materials and parts and components (including the procurement thereof), production capacity and other factors affecting its productivity. Further, there is **no assurance** that Toyota will be able to implement capital expenditures at the level and times planned by management.* (Toyota *AR 2007*: 62)

A much better strategy would be to acknowledge problems or risks with all available figures and scenarios. However, such predictions are based on soft and unreliable data, which makes them unsuitable for use in annual reports. Numbers are too serious and binding, so they must be used positivistically. A conservative (i.e. the worst) prediction might also damage the company's prospects if the reality turns out to be not so grim eventually.

The ideal strategy thus seems to acknowledge the problems or risks quite vaguely (as their real extent is not completely quantifiable in any way) and turn them into a challenge, a test of company's capabilities to solve them, a proof of its stability, etc. Borovičková (2008: 32) emphasises the necessity of a positive impression achieved by annual reports as well: "The language in the annual reports is predominantly positive, because positive words are also a way which is quite effective for achieving communicative goals. (…) Instead of what the company did not manage, it is about what it can do and what it wants in a positive approach. To prevent losing a successful and prospering face of a company, readers cannot be confronted with a negative message".

It is interesting to observe at the times of the present global economic crisis how the suggested strategy is implemented linguistically. Annual reports must simply express the objective facts. However, they do it in a way that conforms to the rules of the genre. Provided that the unfavourable facts cannot be ignored and hidden from the stakeholders and independent auditors, a proper strategy must be adopted. Do companies counter the weight of difficulties by using positive language (*challenge*, *resist*, *cope with*, …) or do they rather play down the significance of the crisis (which could nevertheless be considered as misrepresentation or effort to conceal the extent and impact of the crisis)? According to Wallace (1998), it is necessary to "keep the tone positive even when reporting the negative". Thus, quite in harmony with what has been said above, the usual strategy of communicating negative facts is to mention the problems vaguely, mark them as part of a broader, general and exogenous tendency, and show that the problem has served as a challenge to find an effective solution by the company. The pragmatic strategy thus bases on sincerity with which the problem is admitted (to a certain extent) and demonstration of the company's resourcefulness, resilience, adaptability to change, etc.

(37)   *There has been an appreciable leap in quality with regard to the market's understanding of the Bank and its prudent growth policy. Kaupthing Bank's shares were hit hard early last year when financial markets were shaken by concerns over the sustainability of economic growth in Iceland. However, as a result of more comprehensive coverage from international analysts,*

>*Kaupthing Bank is no longer perceived primarily as an Icelandic entity, but as a well diversified northern European banking group.* (Kaupthing Bank *AR 2006*: 2, "Changing perceptions" – Executive Chairman's address)

7 Conclusion

As it has been demonstrated in the analysis of a corpus representative of the genre, writers of company annual reports use established language means at several levels, namely at the lexical and syntactic levels. The characteristic lexical features include the preference of positive, unreserved, vivid and concrete words, apart from lexis related to the given business segments and economic terms in general. The syntactic and discourse devices chosen for annual reports are declarative sentences with predicators in the indicative mood, variety of tenses with clear preference for past and present and the simple verbal aspect, some conversational features, a mixture of active and passive voice, ellipsis, repetition and syntactico-semantic condensers.

Beside and above these effective language means, pragmatically determined strategies also operate in this genre to achieve a desirable effect on target users. The most prominent among such strategies is a carefully balanced mix of objective facts and persuasive techniques, including personal appeals, establishing credentials, provision of documents, facts and figures, demonstration of sincerity and resourcefulness, demonstration of expertise and tradition, contribution to the society as well as to individual stakeholders, technical innovativeness, dedication to development and expansion and visions for the future. These strategies and their linguistic correlates are quite comparable and identifiable in annual reports produced by companies involved in various industries. However, the analogous (positive) general impression and specific techniques used to achieve it are not matched by a uniform structure of annual reports although there are numerous fundamental components which are shared by virtually all of them.

It is questionable whether a company's unique style or rather compliance with some generally established patterns is preferable and more effective. As it seems from the undertaken analysis, company annual reports rather rely on well-established repertory of linguistic means and pragmatic strategies, i.e. they are quite predictable as a genre at the expense of creativity and freedom of choice, which is quite limited. As Mey (1993: 58-59) claims, there is a contradiction in the language between spontaneity and conventionality of expression. The 'speaker meaning' is natural just as the communicative intention, but the linguistic or 'sentence meaning' relies on conventional rules of grammar.

The paradox of pragmatics is, then, that language users must employ conventional, linguistic means to express what cannot be expressed directly, by means of natural signs. The invisible workings of the mind, the intentions of the speaker and hearers cannot be immediately expressed, in a 'natural' way, but must be coded in 'non-natural' carriers. The paradox is solved by the fact that those carriers themselves (the 'media', one might say, in the proper sense of the word) are being 'conventionalized' through use. (Mey 1993: 59)

Thus, the writers of annual reports utilise linguistic means which obtain the conventional meaning by using them in a specific context. The ability to read off the speaker's (writer's) meaning disguised in the sentence meaning is certainly gained gradually by experience (economic as well as linguistic), professional insight and knowledge of the immediate context. In this way, an experienced reader interprets many positively sounding statements with prudence and reservations, understanding e.g. attributes *excellent*, *unrivalled*, *exceptional*, etc. as conventional linguistic means to express that something is just *good*, *satisfactory*, *normally growing*, and *slowing down*, *demanding*, *challenging*, etc. as euphemisms for *hit by crisis*, *plummeting*, *very critical*, *disastrous*, etc.

Also, the undesirable speaker's (writer's) meaning may emerge on the surface level easily once the conventional linguistic means are not used appropriately, that is if they are either overused, or underused. The former case often amounts to distorting facts, window-dressing; the latter to an inappropriately sincere, even blunt way of reporting on facts, disrespecting the established conventions.

Quoting Mey (1993: 60) once more,

Since language is developed socially, its use is governed by society rather than by individual speakers. Language users do not decide, on the spur of the moment, which medium to choose in order to get their ideas or feelings across; they use the 'artificial' signs that 'natural' language provides them with, given the possibilities of their actual, historical context. The context determines both what one can say, and what one cannot say: only the pragmatics of the situation can give meaning to one's words.

Therefore, application and adequate interpretation of pragmatic strategies inherent to the genre is the necessary know-how of writers and users of company annual reports, since this kind of text forms undoubtedly an established and to a large degree formalised genre.

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