

University of Manchester
School of Computer Science
Project Report 2023

**Extractive Summarisation of
UK Annual Reports**

Author: Vladislav Yotkov

Supervisor: Dr. Jonathan Shapiro

Abstract

Extractive Summarisation of UK Annual Reports

Author: Vladislav Yotkov

Although there has been considerable progress in Natural Language Processing (NLP) over the years, it has not been quite integrated in the Accounting and Finance (AF) industry. In the meantime, companies worldwide produce vast amounts of textual data as part of their reporting packages to comply with regulations and inform shareholders of their financial performance. The glossy annual report is such an example, widely read by investors but also quite long. Inspired by the Financial Narrative Summarisation (FNS) 2021 Task, we will design an Automatic Text Summarisation (ATS) system for the narrative parts of UK financial annual reports. With this goal in mind, we will implement and explore the following models for Extractive Text Summarisation (ETS): 1. custom Recurrent Neural Network (RNN), 2. fine-tuned FinBERT. In terms of evaluation, we will use the ROUGE metric to compare the performance of these models against standard ATS baselines: TextRank, and LexRank.

Supervisor: Dr. Jonathan Shapiro

Contents

0.1	Introduction	4
0.1.1	Financial Reports	4
0.1.2	UK annual reports	4
0.1.3	NLP in Accounting and Finance	5
0.1.4	Financial Narrative Summarisation 2021 (FNS21) Task	6
	Bibliography	8

List of Figures

List of Tables

1	FNS21 Data Split	6
---	----------------------------	---

0.1 Introduction

0.1.1 Financial Reports

Due to international regulations, companies are obliged to report their periodic performance (annual, bi-annual, quarterly) to various regulatory authorities¹ and other users (e.g., corporate stakeholders, investors, customers, suppliers, etc.). These reports contain essential information about the operations and finances of a business and are crucial for making informed decisions (from user perspective), but differ in regulatory forms. For example,

1. 10-K reports filed to the SEC² and accessible through their Electronic Data Gathering, Analysis, and Retrieval³ (EDGAR) system are only for US registered businesses. They follow a standardised template and are plain text, which makes them particularly easy for automated large-scale research ([EHAR⁺19]). Also, the contents of these reports is quite strict, requiring solely five information sections⁴.
2. UK annual reports, the regulation of which is overseen by UK's Financial Reporting Council (FRC) are typically the main annual reporting method (also provided as PDF files). Unlike the 10-K, they are glossy and more stakeholder-oriented, and enjoy unlimited discretion over non-mandated content ([EHAR⁺19]) (e.g., photography and company brand material, non-mandatory narrative sections, etc.). However, these are more challenging for automated processing, due to their variable section structure, formatting and rich visual representations.

0.1.2 UK annual reports

The annual report is a key corporate disclosure, which is legally required for publicly companies by regulatory authorities. While it *does not have a rigid document structure* like the 10-K, it typically has a *narrative component*⁵ and the financial statements (at the rear).

¹Regulation authorities worldwide:

- Securities and Exchange Commission (SEC) in the USA
- European Securities and Markets Authority (ESMA) in Europe
- Financial Reporting Council (FRC) in the UK
- International Financial Reporting Standards (IFRS) in 167 jurisdictions worldwide

²<https://www.sec.gov>

³<https://www.sec.gov/edgar>

⁴(a) Business Overview (b) Risk Factors (c) Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) (d) Financial Statements (e) Supplementary Disclosures

⁵The narrative component of a UK annual report typically consists of 1. Management's Commentary 2. Letter to Shareholders 3. Corporate Governance Statement 4. Auditor's Report 5. Remuneration Report

As we outlined in the Section 0.1.1, UK annual reports have the following inconvenient properties with regards to large-scale text understanding.

- They are very long documents. Throughout the years, their average length has been increasing significantly with the number of pages rising 57% for the median report from 2003 to 2016 (47 to 74 pages, respectively) ([LY19]), due to additional regulations between 2006 and 2008 ([EHAR⁺19]).
- They have variable nomenclature. From firm to firm, naming conventions vary “dramatically”, with more than 20 unique titles for various sections (e.g., Chair’s letter to shareholders, Management Commentary) ([LY19]).
- They incorporate embedded info-graphics. While domain experts hail the integration of highly interactive elements into corporate reporting ([KB16]), the compilation to PDF makes the task of analysing such unstructured documents automatically even harder ([LY19]).

These challenges motivate the work of [EHRY⁺19] who (a) established a set of 8 generic section headers⁶ and (b) built the CFIE-FRSE⁷ extraction tool that converts a text-based PDF annual report to simple text.

0.1.3 NLP in Accounting and Finance

The relevance of this project should also be understood from the perspective of the development of Natural Language Processing (NLP) in the Accounting and Finance (AF) domain. As outlined in [Eil98], investors’ trust in the accountability of businesses would be based no longer as much on just the financial statements, but also on more descriptive narratives that define strategy and planning of resource use. While some recognise the importance of understanding in-domain textual information ([L⁺10]), others like [EHRW⁺19] report that the industry is still doubtful and cynical about the NLP applications in the analysis of financial market disclosures. Furthermore, the latter also observe that AF researchers rely extensively on bag-of-words models, which are *not sufficient to encode complex contextual and semantic meaning* (especially in a domain with such *specialized language*). As for ATS [CHW19], is said to be the single AF study into disclosure summarisation and it demonstrates that machine-generated summaries are less likely to positively bias investors’

6. Business Review 7. Environmental, Social, and Governance (ESG) Report 8. Risk Management Report

⁶(a) Chairman Statement (b) CEO Review (c) Corporate Governance Report (d) Directors Remuneration Report (e) Business Review (f) Financial Review (g) Operating Review (h) Highlights

⁷The CFIE-FRSE stands for Corporate Financial Information Environment - Final Report Structure Extractor. It is publicly available at <https://github.com/drelhaj/CFIE-FRSE> and it can be used to convert English, Spanish and Portuguese annual reports.

decisions compared to managerial ones. This only confirms that there is a wide gap of NLP applications in Accounting research, and this further motivates our work.

0.1.4 Financial Narrative Summarisation 2021 (FNS21) Task

The FNS Task is part of the annual Financial Narrative Processing (FNP) Workshop ⁸ organised by Lancaster University since 2018, which aims to:

- encourage the advancement of financial text mining & narrative processing
- examine methods of structured content retrieval from financial reports
- explore causes and consequences of corporate disclosure

as stated in their inaugural proceedings ⁹.

For that purpose, they produce datasets of extracted narratives (with the help of the CFIE-FRSE tool) from annual reports of UK companies listed on the London Stock Exchange (LSE).

In their FNS21 Task, there were 3,863 such reports (Table 1), while the average length was reported at 80 pages, and the maximum of more than 250 pages ([LV21]).

Additionally, for every report there were at least 2 gold summaries, which are situated in the annual report itself ¹⁰ The goal of the workshop was to build ATS systems that generate a single summary for an annual report, no longer than 1,000 words (almost just as long as the gold summaries on average).

Data Type	Training	Validation	Testing	Total
Report full text	3,000	363	500	3,863
Gold summaries	9,873	1,250	1,673	12,796

Table 1: FNS21 Data Split

⁸<https://wp.lancs.ac.uk/cfie/>

⁹<https://wp.lancs.ac.uk/cfie/fnp2018/>

¹⁰The gold summaries being already in the annual report is not problematic, because these reports are already written by domain-experts who know how to summarise the financial state of a company. Hence, there could be multiple sections/paragraphs that achieve this thoroughly, and the organisers have identified & extracted them manually with the help of the professional writers of the individual reports. At this moment, one can begin to doubt the point of applying ATS techniques, but due to the *lack of rigid document structure, it is not trivial to automatically find these text excerpts with heuristic methods*. Furthermore, one point of this challenge could be formulated as to finding the latent features of a summarising (i.e., “to-be-in-the-summary”) sentence, which is highlighted as one of the fundamental advantages of NLP in AF research ([LY19], [EHRW⁺19]).

We must acknowledge that due to the scarcity of publicly available financial data this third-year project could not have been possible without the kind permission of the FNP organisers to use the training and validation datasets from their FNS21 Task ([EHRZ21]).

Bibliography

- [CHW19] Eddy Cardinaels, Stephan Hollander, and Brian White. Automatic summarization of earnings releases: attributes and effects on investors' judgments. *Review of Accounting Studies*, 24, 09 2019.
- [EHAR⁺19] Mahmoud El-Haj, Paulo Alves, Paul Rayson, Martin Walker, and Steven Young. Retrieving, classifying and analysing narrative commentary in unstructured (glossy) annual reports published as pdf files. *Accounting and Business Research*, 2019. Forthcoming.
- [EHRW⁺19] Mahmoud El-Haj, Paul Rayson, Martin Walker, Steven Young, and Vasiliki Simaki. In search of meaning: Lessons, resources and next steps for computational analysis of financial discourse. *Journal of Business Finance & Accounting*, 46(3-4):265–306, 2019.
- [EHRY⁺19] Mahmoud El Haj, Paul Edward Rayson, Steven Eric Young, Paulo Alves, and Carlos Herrero Zorita. *Multilingual Financial Narrative Processing: Analysing Annual Reports in English, Spanish and Portuguese*. World Scientific Publishing, 2019.
- [EHRZ21] Mahmoud El-Haj, Paul Rayson, and Nadhem Zmandar, editors. *Proceedings of the 3rd Financial Narrative Processing Workshop*, Lancaster, United Kingdom, 15-16 September 2021. Association for Computational Linguistics.
- [Ell98] Robert K Elliott. Accounting in the 21st century. 1998.
- [KB16] P Kriz and H Blomme. The future of corporate reporting—creating the dynamics for change. *International Federation of Accountants (IFAC)*, available at: www.ifac.org/global-knowledgegateway/viewpoints/future-corporate-reporting-creating-dynamics-change (accessed 29 May 2016), 2016.

- [L⁺10] Feng Li et al. Textual analysis of corporate disclosures: A survey of the literature. *Journal of accounting literature*, 29(1):143–165, 2010.
- [LV21] Marina Litvak and Natalia Vanetik. Summarization of financial reports with AMUSE. In *Proceedings of the 3rd Financial Narrative Processing Workshop*, pages 31–36, Lancaster, United Kingdom, 15-16 September 2021. Association for Computational Linguistics.
- [LY19] Craig Lewis and Steven Young. Fad or future? automated analysis of financial text and its implications for corporate reporting. *Accounting and Business Research*, 49(5):587–615, 2019.