QUILTER CHEVIOT

Animal testing through time: what investors need to know

Animal testing has long been a point of contention, representing a challenging balance between scientific progress and ethical concerns. Although Aristotle believed animals were unintelligent and existed for human use, critics like Theophrastus—and later, modern activists—have long questioned the morality of such practices.

During the Renaissance and Enlightenment, animal experiments fuelled major medical breakthroughs, such as William Harvey's discovery of blood circulation. However, this also reinforced a utilitarian view of animals as tools for human gain.

The 19th century saw a growth in public empathy, sparking the anti-vivisection movement and leading to the UK's Cruelty to Animals Act of 1876. Ethical standards advanced further in 1959 with the introduction of the '3Rs' principle—Replace, Reduce, Refine—defined by British scientists W.M.S. Russell and R.L. Burch in their landmark book The Principles of Humane Experimental Technique. Sponsored by the Universities Federation for Animal Welfare, their work laid the foundation for humane research practices that are now embedded in legislation and policy across many countries.

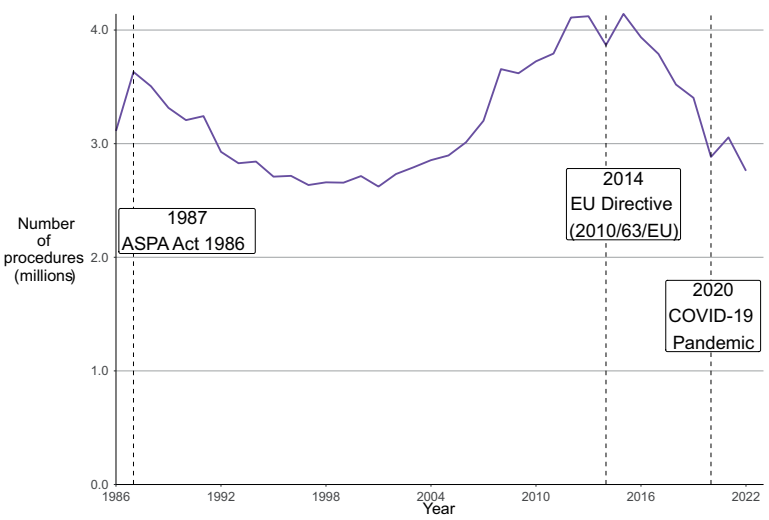
Despite reforms, controversy remains. Animal testing has enabled treatments for diseases like cancer and HIV, yet critics argue it still causes suffering and has limited predictive value. Today, emerging technologies offer alternatives, but regulatory inertia and uneven global standards keep animal testing entrenched. For investors, it can be both an ethical issue and a strategic one, as companies face growing reputational and regulatory risks.

The changing risk landscape

In 2023, the UK carried out 2.68 million animal procedures—the lowest in over 20 years. Most involved mice, rats, and fish, but 1.2% involved protected species like primates, dogs, and cats. Despite their small share, these cases understandably draw intense scrutiny.

Sadly, non-human primates were still used in 2,169 procedures during 2023. This use is especially controversial due to their genetic similarity to humans, but for those same reasons they can be of great importance in vaccine and brain research. Use of these primates garnered attention in recent years due to global supply issues after China banned exports in 2020, causing prices to soar and timelines to stall. The controversy reached a

Figure 1: Total scientific procedures in Great Britain, 1986 to 2022



flashpoint in 2022 when a U.S. investigation exposed a monkey-smuggling ring tied to Cambodian officials. Major research firms like Charles River and Inotiv were subpoenaed, triggering stock drops and reputational damage.

This highlights a range of broader risks: use of animal testing can expose companies to supply chain fragility, legal challenges, and reputational backlash. For investors, it's not just a moral issue—it can impact financial returns too. Understanding companies' exposure is essential for responsible decision-making.

What alternatives can be used?

Despite passing preclinical trials, around 90% of drugs ultimately fail—often due to biological differences between animals and humans. This inefficiency has spurred a technological shift toward more accurate, ethical, and human-relevant alternatives to animal testing.

Alternatives to animal testing fall into three main categories:

1. **In chemico**: Using chemical interactions to assess toxicity.
2. **In vitro**: Testing on human cells or tissues outside the body.
3. **In silico**: Leveraging computer models and simulations.

These methods are often more cost-effective, faster, and better aligned with human biology. As a result, major pharmaceutical companies and contract research organizations are investing in and adopting these technologies. However, these alternatives are still maturing and cannot yet fully replace animal testing without risking the integrity of drug development.

While alternatives are still to develop further many are optimistic that Artificial Intelligence (AI) will play a critical role. AI reduces the need for animal testing by analysing existing data, predicting hazards for new chemicals more accurately, and rapidly screening over 100,000 chemicals for human effects—faster and more cost-effectively than traditional methods.

Companies held in the funds, such as Danaher and Novo Nordisk, are leveraging AI in transformative ways—Danaher uses AI to design proteins and improve diagnostics, while Novo Nordisk, in partnership with Microsoft Research, applies AI to enhance drug discovery and trial design, including predictive models for cardiovascular risk.

Challenges and the path forward

Despite progress, in many cases regulatory frameworks still require animal data before human trials. For alternatives to gain full acceptance, they must undergo rigorous validation to prove they match or exceed the reliability of animal tests. This demands collaboration across industry, academia, and regulators.

Balancing ethical concerns with safety remains key. While reducing animal testing is a priority, ensuring new drugs are thoroughly tested before reaching humans is equally critical.

Our Investment Philosophy

Animal testing is a complex issue that intersects with science, ethics, regulation, and risk management. Our investment approach reflects this complexity.

The Climate Asset Funds distinguish between medical and non-medical animal testing. We avoid investing in cosmetics and toiletries companies due to their routine use of animal testing for non-medical purposes. However, we may invest in pharmaceutical firms where animal testing is legally required for medical safety. In all cases, we assess companies' governance and commitment to the 3Rs: reduce, refine, and replace animal testing.

For investors who would like a fund completely free from animal testing, the Quilter Ethical Equity Fund may be a good fund to consider. This fund follows a stricter criteria, than the Climate Assets Funds, and excludes all companies involved in animal testing, both for medical and non-medical purposes. The Quilter Ethical Equity Fund is also managed by the Sustainable Investment Team at Quilter Cheviot.

Eleni Makri
Sustainable Investment Associate
Quilter Cheviot

Quilter Cheviot
Senator House
85 Queen Victoria Street
London EC4V 4AB

+44 (0)207 150 4000 **enquiries@quiltercheviot.com** **quiltercheviot.com**