

## Environmental and Social Data Sheet

### Overview

Project Name:	<b>FAZER - XYLITOL FACTORY</b>
Project Number:	2019-0146
Country:	Finland, Sweden
Project Description:	The project concerns two components: (i) the construction and operation of a new, innovative xylitol production facility producing xylitol from oat hulls; (ii) RDI activities supporting Fazer's bakery, confectionery and new lifestyle food businesses, including ongoing innovation activities related to xylitol production and the use of xylose and xylitol. Fazer has its headquarters in Vantaa, Finland. The new xylitol production facility is located in Lahti, Finland.
EIA required:	yes
Project included in Carbon Footprint Exercise <sup>1</sup> :	no

### Environmental and Social Assessment

#### Environmental Assessment

The project consists of the design, construction and operation of: a) a new production facility in Lahti (Finland) for the production of xylose and xylitol; and b) RDI (Research, Development and Innovation) activities related to the process development and other related development activities. The RDI activities will take place in the existing, already authorised, premises in Finland and Sweden and are not expected to require any specific environmental authorisation.

The new xylitol production facility will be located within the site of an existing flour mill and bakery that are part of Fazer Group. The larger project also includes the construction of a small Combined Heat and Power (CHP) unit to combust the biomass by-products of the xylitol production facility. The CHP is not part of the EIB financed project but it still is relevant for the overall environmental assessment. According to Annex I of the Directive 2014/52/EU amending the EIA Directive 2011/92/EU and related national laws, the project components require an Environmental Impact Assessment (EIA).

The EIA for the plant has been applied for on 17.5.2019 and it is in the approval process. The project is located within an existing, already approved industrial site located in the vicinity of a town. The closest nature conservation site is at 5 km of the plant. It is, therefore, not expected to affect any special protection areas, such as Natura 2000. The planned production process

<sup>1</sup> Only projects that meet the scope of the Pilot Exercise, as defined in the EIB draft Carbon Footprint Methodologies, are included, provided estimated emissions exceed the methodology thresholds: above 20,000 tons CO<sub>2</sub>e/year absolute (gross) or 20,000 tons CO<sub>2</sub>e/year relative (net) – both increases and savings.

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includes the usage of acids and requires hydrogen. It is expected to have limited environmental impact, and on-site chemical storage and process capacities will be below the thresholds marked by the SEVESO and Industrial Emission Directives (2012//18EU and 2010/75EU respectively). It has been, therefore, screened out by the national environmental agency (TEKES) and has been assessed by the local competent authorities. The execution of the project has already commenced after conclusion of the corresponding public hearings and the implementation of measures recommended by the competent authorities in the building permit that was issued on 17.4.2019. The project will be carried out using state of the art technologies and it will take into consideration environmentally friendly, low-energy and low-resource consuming technologies. The final environmental permit that is required for the operation of the plant is expected to be issued by end of 2019 or early 2020.

The new xylitol production facility will utilise by-products of the oat milling process that have low added value and it will, therefore, contribute to circular economy in the agrifood industry. The facility will produce a biomass by-product for the associated CHP plant that will supply renewable heat and power to Fazer's overall industrial site in Lahti, thus contributing to a significant reduction in the climate footprint of Fazer's operations through replacing fossil natural gas in energy production. It is, however, very difficult to quantify climate action effects and, therefore, they have not been recognised for this operation. The oat hulls are currently used for animal feed and domestic heat production, and the GHG savings are below the thresholds established in the EIB GHG footprint methodology. Fazer is a front runner in incorporating environmental and social sustainability principles into its business, its operating principles and sustainability policies. It tightly controls the purchases of goods and services as well as the purchases of international commodities, demanding adherence to recognised environmental and social sustainability, including certification schemes for production and origin for all its purchases. For products procured from within the EU, Fazer has contributed to setting up Sustainable Grain Farming Principles (SGFP) together with its Swedish and Finnish stakeholders. SGFP is a compilation of 10 good farming principles that favour minimising the use of fertilisers and agrochemicals with the aim of promoting biodiversity and reducing the eutrophication in the Baltic Sea. The SGFP are also related to the Carbon Action project, which Fazer has joined, with the aim to seek ways to accelerate soil carbon sequestration and to promote carbon-storing farming practices on Finnish farms, while scientifically verifying the results. Fazer is committed to using only SGFP compliant grains in its bakeries by 2025.

### **Other Environmental and Social Aspects**

Fazer has a sound Quality, Environment, Health and Safety (QEHS) policy, including a commitment to comply with legal requirements, pollution prevention and continual improvements, and it undertakes regular audits.

All the facilities of Fazer are certified and compliant with the applicable requirements of national and international regulations and laws. Fazer has an integrated quality management system that complies with the requirements of the ISO 9001:2008 standard, and it also has a Hazard Analysis and Critical Control Point (HACCP) system. Fazer has an environmental management system developed in accordance with ISO 14001, and the system is applied in Lahti.

The project, if successful, is expected to lead to significant social and health benefits. Replacement of sugar with low-calorie xylitol has proved to be a cost-effective dental friendly way to prevent dental diseases.

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## Conclusions and Recommendations

Overall, the project can be classified as acceptable with positive or no residual impact. If successful, the project presents high potential health and social benefits for society. The project is therefore considered acceptable for EIB financing in environmental and social terms, subject to the following contractual undertaking: Submission to the EIB of relevant operational and environmental permits for the Xylitol production facility once they are issued before the start of operations of the plant.

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