Microsoft

Community benefits in renewable energy procurement

Lessons learned from five years of procurement

Winter 2026

Contents

Foreword

Microsoft is in its fifth year of incorporating community benefits into its renewable energy procurement strategy to help meet our 2030 carbon negative goal. We recognized an opportunity to reinforce our sustainability goals by focusing benefits of our efforts on under-resourced communities and those who have been disproportionately impacted by industrial pollution. These efforts also reflect our Community-First AI Infrastructure initiative and datacenter community pledge to build and operate digital infrastructure that creates local benefits, by contributing to a sustainable future, advancing community prosperity, and operating responsibly.

In the past five years, we have learned, tested, and scaled approaches that deliver community benefits. With clean energy development continuing to grow in the United States and around the world, there are increasing opportunities to bring high-quality jobs, access to healthy environments, and modern infrastructure to communities everywhere. Linking the achievement of our renewable energy commitments with community-led sustainability projects results in positive environmental and social benefits and aligns with business objectives. Microsoft and its customers also benefit from the resulting expanded base of suppliers, including small and emerging businesses. Community stakeholders receive meaningful benefits that improve support for operations and mitigate the potential for development delays or project cancellations. Through collaboration, Microsoft and local communities can innovate to solve the many challenges that come with industrial emissions and pollution while creating new opportunities to meet community ambitions.

We expect obstacles, new and familiar, as this work continues. Increased global electricity consumption from fast growing sectors is driving demand for energy supply. Extreme weather adds even more energy demand to keep indoor spaces heated and cooled to safe temperatures. Strained and aging grids and built environment infrastructure in the United States, and yet-to-be developed grids in emerging economies, require significant investment. Though the way forward is complex, we know our approach will be smarter, more effective, and more impactful, if we work closely with local communities in charting the way.

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Imperatives for action

Highlights of the opportunity and need	
1. **De-risking renewable development through community involvement is good business.**	Corporate renewable energy commitments have de-risked renewable energy development in recent years. This means corporate buyers have significant insight into global and local issues and can play an important leadership role in promoting good community engagement practices. When communities support and benefit from development, projects are more likely to be built on time, saving money and delivering clean power. Jump to section >>>
2. **Vulnerable communities need support and investment to respond to social, economic, and environmental impacts.**	Environmental risks have the potential to cause severe societal disruption, especially when compounded with other trends like technology shifts and growing economic disparities. Renewable energy projects can offer pathways to support and safeguard communities so that they can better navigate the challenges ahead. Jump to section >>>
3. **Offtake from distributed renewable generation is viable and expands the supplier base.**	Corporate buyers can help meet larger renewable energy demand by procuring from small-scale, distributed generation projects with streamlined contracting structures. Not only can these projects often be built faster than their utility-scale counterparts, but they offer unique opportunities to deliver localized community benefits to those surrounding the projects. Jump to section >>>

The following sections provide a deeper look at these three opportunity areas, including a specific call to action for each, reflecting the key steps that we believe are required to help drive positive community outcomes.

1. De-risking renewable development through community involvement is good business.

Companies with voluntary renewable energy commitments have been key in de-risking renewable energy development in recent years. This leadership is expanding from tackling the general need for cleaner energy, to incorporating approaches to development that strengthen local communities and mitigate business risks. Multinational companies, like Microsoft, have a broad view of both the state of clean energy markets around the world and the hyperlocal realities specific to each development project. This unique position offers both a global view and a local stake in 1) policy changes; 2) regulatory challenges; 3) grid infrastructure progress; and 4) shifting market dynamics in areas like supply chains, workforce, and project siting. Microsoft and other corporate buyers have an important leadership opportunity given their unique position.

The issues above impact any development project that brings changes to the surrounding communities. As developers contend with these challenges and more renewable energy projects come online, communities have direct and mixed experiences with developer practices. Local communities may directly experience trade-offs with other potential uses of the land that are difficult to reconcile. In some places, this has led to more resistance to development after the first local projects have been built, an increase in siting restrictions, or heightened expectations that developers use robust community involvement processes and deliver tangible community benefits.

Developers increasingly recognize that high-quality community engagement efforts result in fewer costly project delays. Buyers of renewable energy can support this trend by helping set expectations of developers, acknowledging the value of robust community engagement processes, and by ensuring that community benefits considerations are included in their offtake deal structures with developers. Ultimately, investing in community engagement processes and benefits delivers value back to the developer and buyer in the form of long-term and supportive relationships, reduced project delays and cancellations, and better project design and delivery.

Microsoft has applied this approach to its own datacenter infrastructure projects. In Southern Virginia, the company partnered with local schools, libraries, and conservation groups to establish the Chase City Conservancy,

a 230-acre restoration and community space adjacent to a datacenter site. The project restored streams and wetlands, created pollinator and forest habitats, added public trails, and provided educational resources such as greenhouses and aquaponics systems for students. By aligning ecological restoration with local priorities, the Conservancy built trust, reduced opposition, and ultimately de-risked datacenter development in the region.

Being deliberate about giving communities and individuals voices on issues that directly affect them, including clean energy development, is a worthwhile approach that all developers can adopt. New resources such as the Renewable Thermal Collaborative's Community Benefits Handbook, published in January 2025, map out detailed processes and pragmatic approaches that developers and corporate offtakes of renewable infrastructure can standardize into their engagements.

CALL TO ACTION:

Commit to high-quality community engagement practices.

2. Vulnerable communities need support and investment to respond to social, economic, and environmental shocks.

In the near- and long-term, environmental risks like extreme weather events have the potential to cause societal disruption. In the World Economic Forum's 2025 Global Risks Perception Survey, respondents ranked extreme weather events as the most severe global risk in the next 10 years. Combined with technology shifts, and growing strains on low- and middle-income households, vulnerable communities will face increasing challenges in accessing the resources needed to invest in resilient digital and physical infrastructure, from broadband to energy to transit.

Clean energy buyers and developers can provide opportunities for economic and infrastructure resources that support vulnerable communities through both project delivery and community benefits. In project delivery, a developer's decisions around siting, project design, and

workforce and supplier approaches influence the level of economic disruption or benefit to host communities. Dual use strategies that accommodate agricultural production alongside generation equipment diversify revenue streams for local landowners without displacing previous land use and employment. Tax revenue to local governments helps rebuild or enable new municipal infrastructure and services. Community benefits directed to the priority initiatives of vulnerable residents boost local resiliency in changing economies.

The Prairie Creek Solar Project in Morgan County, IL – part of a portfolio of projects developed and owned by Sol Systems, an Independent Power Producer (IPP) committed to building, owning, and managing clean energy infrastructure that benefits local communities – serves as a strong example of how developer and buyer commitments to community engagement best practices can make a difference. Enabled through a Power Purchase Agreement (PPA) with Microsoft, the project is in a rural community facing challenges such as aging infrastructure and limited career opportunities, particularly for young people. By engaging directly with local community stakeholders and listening to their needs, Microsoft and Sol Systems have cultivated meaningful, mutually beneficial partnerships with community colleges, faith-based non-profits, and the local 4-H club. As a part of Sol Systems' commitment to delivering and operating the solar project, these locally led initiatives will be supported through targeted funding. The impact includes energy efficiency upgrades for places of worship, expansion of youth gardening and environmental education programs, scholarships for students pursuing careers in STEM, energy, and agriculture, and the provision of state-of-the-art servo motor control training equipment to support hands-on learning opportunities relevant for technician trainees preparing for careers in clean energy and industrial maintenance, which are in high demand in these communities.

CALL TO ACTION:

Work with counterparties and communities to revitalize local economies and improve local capacity to respond to social, economic, and environmental impacts.

3. Offtake from distributed renewable generation is viable and expands the supplier base.

For corporate buyers with renewable energy commitments and large electricity loads, procuring at the scale and pace needed to meet sustainability commitments is an urgent challenge. For this reason, offtake from large projects (more than 20 megawatts) developed by large companies has been the norm. However, newer, smaller developers and distributed generation (DG) projects can serve as an important piece of the puzzle. These types of developments can offer unique opportunities for delivering local community benefits, such as reducing household electricity costs for residential subscribers to community solar projects. DG projects often have faster build times, can be nimbler and more responsive to changing economic and project development conditions, and open up a new channel of supply for buyers able to work through contracting approaches different than traditional utility-scale Power Purchase Agreements (PPAs).

In recent years, Microsoft and a number of other Fortune 500 companies signed agreements with DG developers. In the U.S., there is now more than 7 GW of installed community solar capacity. When a buyer collaborates with a developer to create solutions to offtake from community-scale and community-optimized renewable developments, it helps bring the ensuing opportunities to the places most affected by the development itself. For this reason, Microsoft has been developing innovative ways to contract for smaller, DG projects that are optimized for local benefit.

We expect DG projects to continue growing in markets around the world and are sharing key details about our contracting approach in this publication, in hopes that other buyers find ways to offtake from these types of projects.

CALL TO ACTION:

Work with distributed generation developers to procure from aggregations of smaller, high-impact projects.

Paths to progress

Microsoft has worked with developers across the U.S. and around the world to incorporate community benefits into its renewable energy procurement. The sections below outline five ingredients that Microsoft has uncovered that enable these efforts.

Build a case for community benefits in energy deals

To effectively integrate community benefits into renewable energy projects, corporate buyers and developer partners must first make the case internally. Key stakeholders are more likely to support these initiatives when they **(1)** connect to the company's mission, **(2)** build on existing company efforts, and **(3)** support risk mitigation and generate business value for the company.

1	Microsoft's mission is "to empower every person and every organization on the planet to achieve more." Many companies' missions address serving customers, the greater good, or similar sentiments and thus sustainability efforts that serve communities offer an opportunity to fulfill the mission authentically.
2	Existing company efforts may include environmental sustainability, philanthropy, and social impact or community pledges.
3	Companies face a wide range of risks that can be mitigated by incorporating community benefits into renewable energy procurement; such risks include reputational risks from community opposition to development projects or falling short of renewable energy goals due to failed projects. Corporate operations that consume energy and water and generate waste are points of concern for many communities, which may constrain activities. By helping alleviate community issues such as high energy costs, companies prove themselves to be good neighbors that bring value beyond short-term construction job creation.

Action can start with one renewable energy agreement. Developers already conduct community engagement activities to secure the support needed to permit and build projects. To further boost long-term support for clean energy build-out, developers can undertake enhanced approaches to

deeper community engagement that shift power and decision-making around community benefits back to the local populations. Flexibility, collaboration, and trust are critical in forming an effective partnership, as is expanding the list of potential partners beyond established players.

It's worth noting that corporate renewable energy procurement is enabling new energy capacity and innovation. By making additional changes, it is possible to introduce holistic benefits to more stakeholders, such as those most negatively impacted by industrial pollution, and achieve multiple objectives. At Microsoft, we believe that companies who can do more should do more. As more companies innovate to integrate community benefits into their initiatives, more renewable energy suppliers are likely to align, bringing transformative outcomes within reach.

Consider both utility scale and distributed generation projects to meet goals

Utility-Scale

Microsoft signed two framework agreements for utility scale solar projects with Sol Systems (2020) and Volt Energy Utility (2021) that went beyond bringing new renewable energy online, creating new opportunities for under-resourced communities by sharing the benefits of the domestic clean energy economy. Utility scale PPAs in the U.S. were an appropriate starting point for incorporating community benefits as this type of contract has been the primary vehicle for Microsoft to achieve its renewable energy goals.

Outside of the U.S., Microsoft has begun executing renewable energy contracts with community benefits in key global markets. For example, in the summer of 2024, Microsoft entered into an agreement with ReNew, an India-based renewable energy company, to purchase environmental attributes from a 437.6 MW hybrid wind and solar project in the state of Maharashtra. The project supports community-based sustainability initiatives including green skilling, livelihood creation, pollution remediation, water purification, energy access, and rural electrification.

To successfully integrate community benefits into agreements in global markets, it is imperative to tailor the approach to the local context. Corporate buyers should rely on local expertise to identify the most pressing environmental and community needs. They should also communicate about their efforts using terminology that is most relevant and familiar to the location, seeking out advisors from local NGOs and engaging with local legal counsel to adapt terms.

Distributed generation

While utility-scale renewable energy projects are an effective way to procure clean power in greater volumes, DG projects can offer strong local benefits, from energy grid resilience to workforce opportunities and energy bill savings. In the summer of 2024, Microsoft signed its first major DG solar agreement in in the U.S. with Pivot Energy. This 500 MW framework agreement will support development of solar resources in – and delivery of benefits to – over 100 communities across 20 states in a 5-year period. To date, Microsoft has signed six additional agreements with Clearloop, Nexamp, Reactivate, OneEnergy, Sunwealth, and Powertrust enabling up to 1.6 GW of new DG capacity.

Differentiating utility-scale and distributed generation projects:

Utility-scale renewable energy projects tend to be large projects spanning extensive land areas. These projects – typically 20+ MW – connect directly to the transmission grid operated by a utility. **DG projects are smaller – in the kW to less than 20 MW range**. These projects can be ground- or rooftop-mounted and are located closer to where the power is consumed.

One effective contract structure for DG solar at volume involves developers committing to developing a new portfolio of DG projects (with many projects under 20 MW each) that will come online over a three-to-five-year period. Once projects have reached certain key milestones – such as site control, initial interconnection applications/approvals, permitting – developers bring Microsoft packages of projects to review. Each project

must include at least one distinct community benefit from a pre-negotiated list of opportunities (see "Deliver community benefits through RE contracts section" below). Microsoft and the developer execute Attribute Purchase Agreements (APAs) – long-term forward purchase agreements for the high-quality Renewable Energy Credits (RECs) – from new additional projects or on an aggregated portfolio basis of new resources. Without the guarantee of a long-term revenue stream from Microsoft under these agreements, these DG projects would not be economically viable for the developer to build. These projects help Microsoft address its Scope 3 Category 11 emissions from Customer Electricity Usage.

Select aligned developers for deals with community benefits

Corporate buyers like Microsoft are in a unique position to prioritize projects that include components that benefit local communities. Doing this effectively requires intentional vetting of both developers and their projects to ensure that they are well equipped to support community-led, community-centric benefits. While most developers use community engagement practices to foster goodwill and ensure projects can be permitted and built, intentionally engaging with and supporting historically under-resourced communities requires moving beyond business as usual.

Microsoft leverages screening tools developed by third-party advisors with expertise in community-led sustainability efforts to assess whether a particular project, or a developer's standard practices, deliver meaningful community value. These assessments consider categories like site selection and development, community involvement and benefits planning, and workforce development and protection. This benchmarking effort can also be used to determine what additional benefits can be incorporated into the project. Beyond these criteria, Microsoft considers geographic location when determining where to prioritize additional community benefits in renewable energy projects. Clean energy projects located in places of strategic importance for the company can help anchor the business value and build the case internally. This includes co-locating community benefit projects near Microsoft datacenters to ensure there is local impact at the sites of both clean energy supply and consumption.

Searching for aligned developers

There are some renewable energy developers who have a strong demonstrated track record of increasing community wellbeing and prosperity, with a focus on under-resourced populations. Microsoft seeks developers that sit at the intersection of three criteria:

1. **Shared Commitment.** They have a strong existing commitment to the fair delivery of community benefits. These developers regularly go beyond business-as-usual practices and may have been founded explicitly with the goal of leveraging renewable energy development to enhance their local communities.
2. **Volume Potential.** They have the capacity to deliver a meaningful portfolio of projects (which for Microsoft means at least 50 MW). This enables scalability and reduces contracting burden.
3. **Scalability.** They are at an inflection stage in their growth as a company such that Microsoft's offtake could accelerate the scale and magnitude of their impact. Microsoft benefits from supporting emerging developers that can provide near- and long-term delivery given the supply constraints in the current renewable energy market.

Pivot Energy, the first developer and IPP Microsoft collaborated with for DG offtake, is a Certified B Corp with a track record of deep community engagement and a stated goal of reducing energy inequity and increasing career pathways into the solar industry. Pivot was able to offer a 500 MW pipeline of DG projects that it will own and operate across 20 states and approximately 100 communities.

Microsoft has also collaborated with Clearloop, a Silicon Ranch company that is committed to expanding access to clean energy. The Tennessee-based carbon solutions platform is unlocking solar development in American communities that have been historically underinvested in, where clean energy adoption is low, and the grid is carbon-intensive. After an initial 3.3 MW pilot project in Mississippi, Microsoft and Clearloop are now collaborating on up to 100 MW of DG solar over three years.

Outside the United States, Microsoft's agreement with Powertrust will support the deployment of 270 megawatts (MW) of new distributed solar energy across Mexico and Brazil over the next four years. This initiative will

accelerate the clean energy transition in Latin America while delivering significant community benefits to underserved regions.

Adapting contracting terms

When collaborating with developers on renewable energy projects with community benefit components, Microsoft believes it is important to ensure the contract terms are appropriate based on the profile of the developer and project.

Microsoft showed its commitment to working with small and emerging businesses when it began engaging with Volt, and both parties approached the negotiations with a collaborative spirit. Volt brought its experience as a distributed solar company, and Microsoft team members brought their decades of large-scale procurement and energy market experience to the partnership. Microsoft's willingness to engage outside of the traditional clean energy request for proposal process in substantive bi-lateral conversations with Volt was instrumental in both companies learning about how best to forge an effective partnership. Executing the 250-megawatt solar PPA with Microsoft enabled Volt to secure new financing, project pipelines, development partners, and clients. As a result, Volt successfully launched into the utility-scale development space with the support and expertise provided by Microsoft's clean energy procurement team. Meanwhile, Microsoft benefitted from Volt's legacy of strong advocacy for small and emerging businesses in the clean energy industry, connecting Microsoft into a new ecosystem of prospective partners and talent in the U.S.

DG deals also require a spirit of collaboration that acknowledges the benefits that both Microsoft and the developer bring and in turn, tailoring traditional utility scale contracting terms to work in the context of smaller projects. An emerging DG developer may not have collaborated with corporate buyers previously, and working with a major corporate buyer may help fortify and grow their contracting capability. The corporate buyer benefits from an expanded base of suppliers with deep community engagement expertise along with a reduced risk to project delivery by generating strong community support.

To support contracting with aligned developers, Microsoft right-sizes terms to align with the actual risk of these project types. See Appendix A for unique enabling aspects of renewable energy agreements. By incorporating

these enabling aspects into the agreements, Microsoft and the developer can structure high-quality deals that help both entities achieve commercial and impact goals.

Delivering community benefits through renewable energy contracts

Renewable energy contracts offer a tangible, enforceable way to ensure the benefits of the new infrastructure are shared with the communities that are impacted by the new infrastructure projects. In the PPA with Volt, the developer committed to establishing a community fund to provide resources for community-led sustainability initiatives. The developer also took steps to provide training and well-paying jobs to promote greater inclusion in the energy industry.

DG developers doing business with Microsoft ensure their projects provide high-value community benefits – for example, contributions to a community fund, workforce training and hiring, and energy bill savings. Regarding workforce training and hiring, developers can contribute financially to existing training initiatives and commit to offering internships and other job placement opportunities to individuals who may otherwise be excluded from the clean energy economy. Opportunities are focused towards individuals previously working in the fossil fuel industry, impacted by the criminal justice system, or living in lower income areas or within the vicinity of the project.

Beyond economic inclusion, another high-value benefit in Microsoft DG agreements is energy cost reduction through community solar projects. Community solar offers a direct way for developers to support low- and moderate-income (LMI) households. While most U.S. states with community solar programs require providers to set aside a portion of subscriptions for LMI households, corporate buyers purchasing RECs from community solar projects can enable developers to offer deeper electricity supply discounts to a greater number of households because the corporate offtake provides another revenue stream to the developer.

What is community solar?

Community solar is a model for residents, small businesses, organizations, municipalities, and others to receive the economic and environmental benefits of solar energy. Community members can subscribe to projects in their local community and receive electricity bill credits for the power produced by the solar facility. **This model allows both renters and homeowners to save money from solar with no up-front costs.**

A sample menu of community benefits, available in Appendix B, also includes a set of secondary benefits – ranging from habitat restoration activities to agrivoltaics to land remediation. These benefits also deepen the positive impact of the projects and reflect the impacts prioritized by community advisors.

Though important, it is not enough to require community benefit provisions and hope that they lead to sufficient impact with and for communities. Corporate buyers looking to incorporate community benefits into their procurement in a meaningful way should work with developers to ensure that the benefits are high quality, community driven, and proven. The following table includes key considerations when crafting community benefits options.

Consideration	Example of Insufficient Benefit	Solution
Are the benefits being delivered where they are needed?	Benefits are directed to the community immediately around the renewable energy project without analysis of local and regional needs that may reveal other nearby communities important to include. Benefits are most needed where communities experience acute pollution exposure, economic disinvestment and are more vulnerable to dangerous weather events. Not all projects are in communities that face these challenges.	Use publicly available tools and data to set geographic boundaries for benefit delivery that considers both proximity to the project site, level of need, and existing patterns of connection and commerce between local communities.
Are communities actively involved in deciding what the benefits are and how they are delivered?	A developer's internal community affairs team leads the grant making process and allocates funds based on developer priorities. This method may be a missed opportunity to establish meaningful new partnerships that shift power and decision-making back into the hands of impacted communities.	Deliver community funds through a third-party Community Benefits Manager (see next section).
Is the benefit solving the root cause of an issue?	Low-income households receive energy bill credits, putting money back into their pockets. Other interventions, like home repairs and weatherization, increase the energy efficiency of homes, improve comfort and safety, while also reducing high energy costs and potentially more long-term savings.	Consider pathways to fund root cause solutions, such as community funds focused on comprehensive home efficiency upgrades.
Is the magnitude of the benefits meaningful to communities?	A training program that offers a certification that is too narrow in scope and connects to limited job prospects can be a poor use of time and resources. Workforce training programs are only impactful if they lead to lasting and well-paid employment opportunities for those that participate in them.	Focus on workforce development programs that result in multiple employment pathways and have built-in employment options upon training completion.

Engage third-party experts to manage community benefits

Community funds embedded into renewable energy contracts offer a unique opportunity to redirect decision-making to the communities historically left out of development practices that impact them. By working with third-party Community Benefits Managers (CBMs), Microsoft and its developer partners can ensure that community representatives are driving grant-making decisions – and that funding decisions are guided by the priorities of the community, not the corporate buyer or developer. The following table provides an overview of the key responsibilities of a CBM.

Responsibility	Details
Effective community engagement	• Assemble an advisory group to ensure decision-making is rooted in local expertise, with a focus on communities that have been historically overlooked • Develop screening protocols that are locally relevant to evaluate potential projects for funding • Assess community needs through local advisor input and desktop research
Strategic, inclusive grantmaking	• Develop an annual strategy for grantmaking based on local engagement and learning • Conduct outreach to organizations that may be overlooked or under resourced to solicit proposals • Allocate funding based on priority geographies and areas of impact
Impact evaluation and reporting	• Keep detailed records on how resources were allocated • Conduct measurement and evaluation activities with grantees to learn about the impacts of the work • Provide quarterly progress updates and submit annual impact reports

Microsoft and its developer partners work with third-party consultants to identify and vet CBMs that have a strong track record and can fulfill the required responsibilities. CBMs are located at the national or regional level, depending on the size of the community fund, and should have the organizational capacity to manage funds with a 15- to 20-year term.

Standardized model, localized impact

Community benefits are included in renewable energy contracts between Microsoft and developers around the world. This growing scale requires a model that is both replicable across communities and localized to unique community needs.

To achieve this balance, new CBMs start their work by creating a program plan that creates alignment on the grantmaking process, impact evaluation approach, and reporting. This plan includes details of how they will learn from the local community and ensure their approach is tailored and relevant.

CBMs also enter into Memorandums of Understanding (MOUs) with developers to ensure there is clarity on relevant roles and processes. This step is particularly important, as CBMs play a vital role in educating developer partners on how this approach differs from other community investment activities by putting more decision-making into the hands of local communities. Reporting by the CBMs is designed to be robust, but not overly burdensome, with annual reports aligned to the key impact areas and metrics below.

Impact Area	Impact Subcategory	Sample Metrics
Economic inclusion	• Academic scholarships • Skills training • Emerging businesses • Household savings • Ownership shares • Local jobs	• Number of people served • Number of new jobs created • Average wage increases • Annual savings to households
Sustainable & healthy infrastructure	• Clean energy • Energy efficiency • Water efficiency • Circular economy • Air and water quality • Pollution remediation • Waste management • Cooling • Clean heating • Emergency services	• MW installed • Tons of CO2 reduced • Households impacted • Waste diverted • Resources saved (water, energy, waste)
Capacity building	• Staffing • Technology • Procedural justice • Policy	• Staff hired • Technology purchased • Community members engaged in decision making • Campaigns initiated

Community Benefit Manager Spotlight: Sustain Our Future Foundation

Sustain Our Future Foundation (SOFF) is a national U.S.-based social impact organization that collaborates with corporate sustainability teams and developers to ensure that local communities and communities most impacted by harmful environmental conditions benefit from the clean energy transition. SOFF has served as the Community Benefits Manager for various developers providing community benefits related to renewable energy projects.

SOFF undertakes the following steps to ensure the delivery of tangible benefits that address community needs:

- **Needs Assessment:** Conduct a needs assessment of local environment and health challenges and integrate local knowledge through advisors.
- **Local Community Partnership and Plan Co-Creation**: Identify and work with a local anchor partner to co-create a preliminary grantmaking strategy.
- **Grantee Partner Screening:** Use screening tools developed by advisors with expertise in community-led sustainability efforts to assess potential grantees.
- **Low Burden and Capacity Building Grantmaking:** Adopt administrative processes that reduce time burdens while ensuring transparency.
- **Monitoring and Evaluation**: Co-create key performance indicators with grantee partners and implement ongoing monitoring to adjust strategies and ensure long-term impact.

Looking ahead

Microsoft will continue to advance community prosperity and wellbeing where we operate, delivering significant local economic, social and environmental benefits for all. There are opportunities to incorporate the learnings in this paper into other types of procurement, processes and technology including battery storage, carbon removal, circularity infrastructure, and product supply chains. In moving forward, Microsoft will continue to partner closely with communities across the globe, leveraging the wisdom and action of on-the-ground partners. We will continue to share our learnings and invite others to share as well so we can collectively continue raising the bar for positive impact.

Appendix

Appendix A: Unique enabling aspects of renewable energy agreements

Project Delivery:

Flexible volume targets help developers to be ambitious about their pipeline while providing a buffer prior to imposing penalties. Volume targets and ranges help developers get financing and build momentum, while giving Microsoft predictable energy supply. Examples of terms include:

- Capacity Target Range: Shortfall damages only accrue if developer fails to deliver capacity within the annual target range.
- Streamlined Project Selection: Microsoft commits to a timeline for responding to developer's proposed projects.
- Replacement Projects: Developer can offer replacement projects in the event of project failure.

Project Financing:

Aggregated distributed generation projects have a different risk profile from utility scale projects that allows for reducing security amounts. In addition, emerging developers may not have the capacity to post security or may not have a creditworthy parent company. Examples of terms include:

- Security: Development and operational security amounts are below market to mitigate cost of carrying a letter of credit. Guaranties from parent company with more flexible terms can be considered as well.
- Credit Support: Flexibility on credit terms can help support smaller developers that operate primarily in DG contexts.

Project Performance:

Examples of terms include:

- Delay Damages and Capacity Shortfall Damages: Shortfall damages are minimal and may be paid to a nonprofit foundation. Delay damages may be fulfilled through the provision of replacement EACs, not a $/MW payment.
- Community Benefits: Developers have flexibility to deliver community benefits that are suited to the individual project.
- Qualified Operators: PPAs may include a seller covenant that requires the project to be operated by a "Qualified Operator" (or equivalent term). Often, a Qualified Operator is required to possess a certain number of years of experience operating a minimum amount of renewable energy. DG developers can be defined as a Qualified Operator to enable them to engage with Microsoft without meeting the same experience or volume criteria.

Appendix B: Community Benefits Menu

Benefit	Description
Primary Benefits (Include one per project)	
Community Impact Fund	Financial records indicating that $[•] be contributed toward community benefits for the purpose of providing opportunities for historically excluded communities to meaningfully benefit from the clean energy transition. Funding will be used to expand access to sustainable infrastructure and healthy environments, to advance economic inclusion, and for resource capacity building for community-serving organizations. Developer will establish a memorandum of understanding with the Designated Community Benefits Manager to outline collaboration on the grantmaking processes in and community engagement with respect to the project. When possible, community investments should be localized to ensure benefits flow to local Community Beneficiaries. Developer will submit a written report to Buyer annually detailing how the funds were allocated, together with supporting documentation. "Community Beneficiaries" means (a) Communities Disproportionately Impacted by Environmental Hazards or (b) Under-Resourced Communities. "Communities Disproportionately Impacted by Environmental Hazards" means communities that are established by federal, state, or local data or any reputable non-governmental organization to be (a) disproportionately impacted by job losses related to pollution (such as mercury, benzene, formaldehyde, particulate matter, SOx, or NOx) or the energy transition away from fossil fuels; (b) located near an existing or recently shuttered coal plant; (c) located near an existing or recently shuttered coal mine; (d) located near an existing or recently shuttered oil or gas refinery; (e) located near an existing or recently shuttered nuclear plant; (f) located near an EPA Superfund Site; (g) burdened with higher recorded levels of exposure to toxic chemicals through air, water, or other pathways; (h) located near a brownfield site; or (i) disproportionately vulnerable to extreme heat, flooding, or other climate related hazards. "Under-resourced Communities" means communities that are established by federal, state, or local data or any reputable non-governmental organization to be (a) "Low to Moderate Income" communities; (b) communities experiencing disproportionately high energy burdens, with energy costs comprising a greater share of household income than the national median; (c) communities with disproportionately high unemployment rates compared to

	the national average; or (d) communities with limited geographic access to environmental public health-related resources, including to nutritious food sources, medical facilities, emergency response infrastructure (e.g., fire stations, ambulance services), workforce development centers, broadband internet access, and other essential services.
Workforce Training and Hiring	Developer commits to training and hiring Eligible Individuals, such that (a) at least [•] Eligible Individual per MW of Expected Nameplate Capacity will complete a workforce training program approved by Developer that meets criteria set by Buyer, and (b) either (i) Eligible Individuals will be hired by Developer or the construction contractor and subcontractor to deliver at least [•] of labor hours performed by hourly laborers working directly on the Project site or on Project adjacent functions (marketing, development, IT, EPC, O&M), or (ii) [•] Eligible Individuals will be provided [•] hour paid internships on the job sites or on Project adjacent jobs (marketing, development, IT, EPC, O&M). Developer will ensure that Eligible Individuals receive industry specific certifications and will make good faith efforts to encourage EPC contractors to develop hiring pipelines and practices focused on recruiting Eligible Individuals. "Eligible Individual" means an individual who (a) has prior work experience in the fossil fuel industry; (b) is a member of a Low-to-Moderate Income census tract community, as defined by U.S. Housing and Urban Development; (c) is or was involved or impacted by the justice system (e.g., previously incarcerated); or (d) lives within a 50-mile radius of the Project.
LMI Household and Community-Serving Organization Energy Savings	At least [•]% of the Project Bill Credit Value will be reserved for LMI households or LMI community-serving organizations for the length of the Project's Delivery Term. Formula for subscriber percentages and bill discount ranges: [Total Bill Credit Value to LMI subscribers] / [Total Bill Credit Value to all subscribers] is greater than or equal to [•]%. Low to moderate income or LMI will be defined based on the applicable state-level community solar program rules. "Bill Credit Value" means for each month during a Project's Delivery Term the total value of credits (measured in dollars) on Project subscribers' energy bills produced by such Project; provided that if a direct bill credit structure is not in place, such value will be based on the aggregate energy and capacity value produced by such Project.

Secondary Benefits (optional, as many as possible)	
Project planning and decision-making	Project planning and decision-making are optimized for community inclusion with a project timeline that includes a detailed community involvement or engagement plan. Minimum activities include memorandums of understanding with community-based organizations, citizen advisory committees, and open planning forums with citizen polling, or similar activities and organizing processes.
Livable wages and high-road labor standards for job quality	Livable wages and high-road labor standards for job quality or higher are provided for hourly workers at the level required to support a sole adult per MIT's Living Wage Calculator (https://livingwage.mit.edu/). Job quality provisions include benefits, fair scheduling practices, and transparent career advancement opportunities.
Responsible materials sourcing policy and process	Responsible materials sourcing policy and process to address human rights due diligence practices.
Ecosystem enhancements	Ecosystem enhancements to improve the site biodiversity over baseline conditions by planting native vegetation, using wildlife-permeable fencing, or providing other wildlife protection features.
Contaminated site remediation	Contaminated site remediation through development on previously or potentially contaminated lands, such as brownfields, mine sites, landfills or similar.
Site selection to avoid sites with high carbon storage capacity	Site selection to avoid sites with high carbon storage capacity, such that development does not disturb sites with high potential for regenerative or conservation agriculture, or sites with quality peatlands, grasslands, forests, or wetlands.
Circular materials management during construction and decommissioning	Circular materials management during construction and decommissioning, such that at least 50% of waste generated over the life of the Project is diverted from landfill or incineration.
Grid emissionality optimization	Grid emissionality optimization to maximize the overall reduction of local emissions, with levelized avoided emissions rates of at least 0.2 metric tons/MWh for CO2, 150 grams/MWh for NOx, and 2 grams/MWh for SO2.