



Cabinet Office

Industrial Security – Departmental responsibilities

Version 10.0 – April 2014

Version History

SPF Version	Document Version	Date Published	Summary Of Changes
1.0	1.0	Dec 08	N/A
2.0	2.0	1 May 09	N/A
3.0	3.0	Oct 09	No significant changes to the document
4.0	4.0	Apr10	New paragraph 4 concerning measures to mitigate any possibility of Foreign Ownership Control & Influence during the List X due diligence clearance process.
5.0	5.0	Oct 10	Numerous amendments for the purpose of updating and clarification. The main amendment is to remove the option and procedure for the MOD to undertake the security oversight and assurance role on behalf of other government Contracting Authorities.
7.0	7.0	Oct 11	Minor change to paragraph 15 to refer to SPF Chapter on Contractual process and paragraph 16 to refer to "physical security".
8.0	8.0	Apr 12	Additional paragraphs 5-8 to provide further information in respect of the consideration of Foreign Ownership Control & Influence during the List X due diligence clearance process. Other minor changes for purposes of clarity.
10.0	9.0	Apr 13	Minor changes for the purposes of clarity and grammar and an amendment to paragraph 19 concerning the requirement to document the decision process in cases where concerns arise to the granting of List X status. Inclusion of new paragraphs 22-24 concerning contracting when the contractor does not require to hold on its site protectively marked information Confidential or above during tender stage.
12.0	10.0	Apr 14	General update to reflect GSC requirements.

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List X

2. Companies operating in the UK who are working on UK government contracts which require them to hold classified assets at SECRET or above or international partners' information classified CONFIDENTIAL or above, on their own premises, are recorded as "List X" contractors. The term List X is site specific, and refers to a specific company facility (larger defence contractors may have multiple List X sites) such sites are also known as having been granted a Facility Security Clearance (FSC).

3. The purpose of List X is to:

- a) Ensure that UK government and international partners' classified assets at the level of SECRET and CONFIDENTIAL respectively and above held or generated by commercial companies are afforded a minimum level of protection to that prescribed by the SPF.
- b) Avoid duplication of expensive company and employee security clearance processes.
- c) Simplify the advice process, should a contractor be working on more than one classified contract. This applies especially where different Contracting Authorities may be involved.

Inclusion on List X does not give a contractor preferential treatment in the tendering process. To do so would unfairly exclude other companies from bidding for government contracts and give rise to legitimate legal challenges under EU and UK competition and procurement laws, or application for judicial review.

Foreign Ownership Control or Influence

4. To mitigate the possibility of Foreign Ownership Control or Influence (FOCI) being exerted in List X companies owned by an overseas government or contractor, List X companies must maintain a minimum of 50% British nationals on the Board of Directors. Contracting Authorities must ensure that this is the minimum structure both during the List X due diligence clearance process and whilst the company holds List X status.

5. Departments and Agencies must be satisfied that arrangements within the company meet UK national security requirements and UK national security requirements and obligations under international Security Agreements/Arrangements. Therefore, during the List X due diligence clearance process or, as a consequence of any company structural changes, specific consideration is to be given to the ownership of the company and an assessment is to be made on the composition and acceptability of the Directors¹ of the Board of the UK company to ensure that FOCI cannot be exerted within the company by non British members of the Board or any foreign government or other party that owns the company in full or in part.

¹ The term "Director" applies to any Director of the Board of the company that has voting or decision making rights irrespective of whether the individual is in an executive position or not.

6. A company is considered to be operating under FOCI whenever a foreign interest has the power, direct or indirect, whether exercised or not to direct or decide matters affecting the management or operations of the company in a manner which may be contrary to the national security interests of the UK. The following factors relating to the company, the foreign interest and the government of the foreign interest are to be reviewed in determining whether a company is under FOCI:

- a) Any evidence of economic or government espionage against the UK.
- b) Record of enforcement and/or engagement in unauthorised technology transfer.
- c) The type and sensitivity of the information that will be held at the facility.
- d) The nature and extent of the FOCI.
- e) The level of ownership or control by a foreign government or other party (in whole or in part).

7. In respect of the ownership or acquisition of a List X company by a foreign party the number of foreign nationals transferred from the parent company to work in the UK subsidiary must not be excessive, having regard to all the circumstances. In addition a UK subsidiary of a foreign-owned company must ensure that no foreign national will have access to such classified information without the approval of the relevant Department or Agency.

8. Departments and Agencies shall only be able to grant a company an FSC and place it on List X if the following security requirements are met:

- a) The company is registered at Companies House.
- b) At least 50% of the Directors are resident in the UK and are British Nationals. However, where particularly large quantities of classified or sensitive material need to be held on the company premises, we may require a majority of the Directors to be British nationals. Where the nationalities of the Directors is on a 50/50 basis and List X status is approved by the Department or Agency undertaking the clearance, the Chairman of the Board must be a British national.
- c) Departments and Agencies must be satisfied that the company has the will and the physical security procedures in place to safeguard classified material from unapproved access by any foreign nationals working in the company.
- d) If the UK company that is the subject of the List X due diligence clearance is owned, or an existing List X company is acquired by an overseas company, the numbers of foreign nationals transferred from the parent company to work in the UK subsidiary are to be restricted to a manageable number approved by the relevant Departments and Agencies after consultation with the respective Contracting Authority.

Responsibilities

9. Departments and Agencies remain the owners of and are ultimately responsible for the protection of classified information that they provide to List X contractors or which is generated by the contractor as a consequence of contracts placed with them.

10. Departments and Agencies **must** ensure the protection of their classified assets released to the contractor or generated by the contractor under the contract in accordance with the baseline security provisions contained in the SPF.

Ministry of Defence, Defence Equipment & Support Responsibilities

11. The Ministry of Defence, Defence Equipment & Support – Deputy Head Security & Principal Security Adviser ([MOD DE&S DH Sy/PSyA](#)) has general ownership and responsibility for the administration of the List X database, the promulgation to List X of the SPF, List X Notices and other security guidelines, advice or instructions via its List X restricted access website or other appropriate methods. Confirmation of whether a contractor's site is approved as List X is to be obtained from MOD DE&S DH Sy/PSyA.

12. It is the responsibility of each Department and Agency to undertake the oversight and security assurance requirements for their contracts and programmes that involve classified assets at SECRET or above performed by List X contractors, for providing security advice for such requirements and leading on investigations when such information has been the subject of a security breach or compromised.

13. The existence and meaning of List X are not classified, but to avoid drawing attention to the nature of the material held on a contractor's site, and thereby increasing the level of threat to that site, the List is marked as OFFICIAL-SENSITIVE.

14. For the protection of the company, its employees and the assets it holds, a List X contractor should not publicise, or respond to a query from any organisations outside of the UK government or List X, that it is a List X contractor. Such queries should be referred to MOD DE&S DH Sy/PSyA:

MOD Defence Equipment & Support
(MOD DE&S DHSy/PSyA)
Poplar -1
MOD Abbey Wood
2004
Bristol
BS34 8JH

Tel No. 030 67934378
Fax No.030 67934925
Email: desinfra-securityadvicecentre@mod.uk

Awarding a Contract

Access to information SECRET or above level during the tender stage

15. Where a contract requires the potential contractor to hold classified information at the SECRET or above level at the tender stage, the Contracts Staff **must** obtain an assurance (see paragraphs 11-14 above) that the proposed contractors being invited to tender have been granted an appropriate List X or Provisional List X approval, before **any** information classified at SECRET or above level may be physically provided to the contractors site.

Placing a Contractor on List X

16. Where a Contracting Authority is considering placing a contract that will involve classified information at SECRET or above being held on a UK contractor's premises, the Contracting Authority must ensure that the contractor meets the criteria for inclusion on List X.

17. The Contracting Authority should liaise direct with the Company to gather the following additional data in the form of [Appendix 1](#):

- The company's full name and registration number recorded in *Companies House Index of Registered Companies*;
- The company's address and, if different, the address, or addresses of the site/s where it is proposed to undertake the contract and/or hold the classified assets involved;
- The personal details for members of the Board of Directors;
- The personal details of individuals who are to be involved in the tendering process.

18. The Contracting Authority should send the contractor a copy of [Working For Government: Protection of Assets - refer to Appendix 2](#). On receipt of this additional data, the Contracting Authority should initiate checks with:

- Security Service;
- Department of Business Innovation & Skills (BIS), Enforcement Manager, Export Control Organisation, Kings Gate House, Victoria Street, London SW1E 6SQ;
- HM Revenue and Customs, Customs House Annex, 5th Floor, 32 St Mary at Hill, London EC3R 8DY;
- Other sources as necessary to establish the professional competences and reliability of the company;
- Other available sources to carry out further due diligence and financial checks on the company as considered necessary.

19. Following successful completion of the above checks or, if considered appropriate in tandem with them, the Contracting Authority should initiate and progress Security Check (SC) clearances or Baseline Personnel Security Standard (BPSS) checks as appropriate for those individuals who will be involved in the preliminary discussions or require access to classified information SECRET or above as a result of the tendering process.

20. If any of the above checks reveal information about the company or its directors that raise concerns over the suitability for awarding the company an FSC the Contracting Authority must carry out a risk-based assessment, consulting as necessary with other relevant authorities, and fully document the reasons for the decision to either grant or deny the facility security clearance.

21. Once these external checks have been completed satisfactorily, the Contracting Authority will confirm that the site has been awarded 'Provisional List X' status, allowing the release of the Invitation to Tender (ITT) or the award of the contract to the Company at the site facility. The ITT or

contract ***must*** include appropriate “Security Measures” such as DefCon 659 (Appendix 1, SPF Chapter on “Contractual process”) and be accompanied by a detailed Security Aspects Letter.

No access to information SECRET or above level during the tender stage

22. Where a contract does not require the potential contractor to hold classified information at the SECRET or above level at the tender stage, potential contractors not holding a List X or Provisional List X approval may, with the approval of the relevant Contracting Authority, be invited to tender for the contract but such contractors must be advised in the tender documentation that the company/facility will be required to be granted List X status should it be selected to undertake the contract and that contract award is subject to List X clearance being granted. In such circumstances, in order to provide the non-List X or Provisional List X contractors being invited to tender with basic guidance on the security requirements that they will be required to be compliant with, the Requisitioning Branch or Contracts Staff ***must*** provide such contractors with a copy of the paper “Working for Government – Protection of Assets” at Appendix 2 as an attachment to the ITT.

23. Should a non-List X or Provisional List X contractor be selected to undertake the contract, the Contracts Staff ***must*** request the Contracting Authority to initiate action to grant the contractor List X status to at least the classified level of the Security Aspects of the contract to be undertaken. The contract ***must not*** be awarded until an assurance has been provided that the contractor’s facility has satisfied the due diligence checks detailed in paragraphs 16-21 above and been granted List X status. If List X status is denied the Contracts Staff must make a commercial decision as to whether to award the contract to another contractor who submitted a bid or retender the contract requirement. Irrespective of that decision the existence of List X or Provisional List X status is mandatory before the contract can be awarded.

24. Preliminary negotiations with a non-List X or Provisional List X potential contractor may be made prior to contract award provided that:

- a) no information at the SECRET or above level is physically sent to the potential contractor. Information at the level of SECRET and above may be verbally or physically provided to contractor personnel at the Contracting Authority’s establishment provided that the individuals having access have been granted a BPSS or Security Clearance as appropriate. In respect of the latter, the Contracts Staff must act as the sponsor for such clearances. Information at the level of OFFICIAL may be provided to the contractor. Information at the level of OFFICIAL with the SENSITIVE caveat may be provided to the contractor but must be accompanied with a copy of the “Security Conditions – Guidance on the Protection of UK Assets marked as OFFICIAL-SENSITIVE at Appendix 2 to the SPF Contractual Process Chapter. If classified information is disclosed orally, its classification must be made quite clear to the recipient and, if classified SECRET or above, that the information falls under the scope of the Official Secrets Act 1911 to 1989;
- b) no commitment is entered into;
- c) it is understood that discussions may be terminated without explanation.

Site Review

25. Upon contract award the Contracting Authority or MOD DE&S DH Sy/PSyA should appoint a Security Adviser to liaise direct with the Company to review site physical security, management

structures and procedures together with providing advice on what improvements are required to site security infrastructure, processes and documentation to bring the facility up the standard required by the Security Policy Framework for full List X status.

26. Once this site review is complete and all necessary measures and procedures are in place, the Contracting Authority or MOD DE&S DH Sy/PSyA will write to the appointed Security Controller or Board Level contact, advising that the site is now fully approved to List X standard. The Contracting Authority or MOD DE&S DH Sy/PSyA granting the List X status should also inform the local Police Service Special Branch and Counter Terrorist Security Advisers (CTSAs).

27. Contracting Authorities undertaking the security oversight for the protection of the assets in their own List X contractors **must** write to the MOD DE&S DH Sy/PSyA confirming that the due diligence action has been satisfactorily completed and that oversight and assurance of compliance with the SPF will be undertaken by the Contracting Authority. The Contracting Authority **must** also provide the following details of the contractor to enable MOD DE&S DH Sy/PSyA to allocate the site a Unique Site No and for it to be recorded on the List X database:

- a) The name, address and telephone number of the contractor.
- b) The names and contact telephone numbers and e-mail addresses of the Security Controller and Board Contact and Vetting Contact.
- c) The highest level of classification involved in the contract.
- d) The highest level of classification which it is considered the site is suitable to hold.

The Contracting Authority **must** inform MOD DE&S DH Sy/PSyA of any changes to the information provided above that substantially change the record and when the contract is completed or should it be terminated for any reason.

Appendix 1

Company Information

FULL NAME & ADDRESS OF FACILITY (include "Trading As" name if different)	FULL NAME & ADDRESS OF HEAD OFFICE (IF DIFFERENT) (include "Trading As" name if different)
Post Code:	Post Code:
Tel N ^o :	Tel N ^o :
Fax N ^o :	Fax N ^o :
	VAT Reg N ^o :
	Company Reg N ^{os} :

DETAILS OF INDIVIDUAL TO BE FACILITY SECURITY CONTROLLER

Surname:
Full Forenames:
DoB:
Place of Birth:
Country of Birth:
Nationality/ties:
Full Work Address (including Post Code):
Tel N ^o :
Fax N ^o :
e-Mail:

DETAILS OF BOARD MEMBER TO BE COMPANY BOARD LEVEL CONTACT

Surname:
Full Forenames:
DoB:
Place of Birth:
Country of Birth:
Nationality/ties:
Full Work Address: (including Post Code):
Tel N ^o :
Fax N ^o :
e-Mail:

In accordance with the Data Protection Act 1998, the requesting Government authority will collect, use, protect and retain the information on this form in connection with all matters relating to our personnel administration and policies.

If incorporated, please give details of all associated companies, subsidiaries, parent or holding companies, and major factories including the full name and address and country in which registered.

Details:	Details:

Details:	Details:

Details:	Details:

Please provide the date of formation of the company, or the incorporation and a brief history

DIRECTORS' INFORMATION

Please provide details of Chairman, Deputy Chairman, all Directors (indicating specifically those who hold Executive appointments and Company Secretary. Similar information should be provided for all individuals holding more than one fifth of paid up shares, preference shares, or loan capital.

	Chairman	Deputy Chairman	Director
Surname Now			
Surname at Birth if different			
All other surnames used			
Full Forenames			
Place of Birth			
County/State			
Country			
Date of Birth			
Current Nationality			
Previous Nationalities			
Dual National Y/N			
State Dual Nationality			
If Naturalised, Number & Date of Certificate			
Full Permanent Address (incl Post Code)			
Since (Date)			
Position in Company (Title)			
Signature*			

PLEASE CONTINUE OVERLEAF AND ON CONTINUATION SHEETS AS NECESSARY

DIRECTORS' CONTINUATION SHEET

	Director	Director	Director
Surname Now			
Surname at Birth if different			
All other surnames used			
Full Forenames			
Place of Birth			
County/State			
Country			
Date of Birth			
Current Nationality			
Previous Nationalities			
Dual National Y/N			
State Dual Nationality			
If Naturalised, Number & Date of Certificate			
Full Permanent Address (incl Post Code)			
Since (Date)			
Position in Company (Title)			
Signature*			

DIRECTORS' CONTINUATION SHEET

	Director	Director	Director
Surname Now			
Surname at Birth if different			
All other surnames used			
Full Forenames			
Place of Birth			
County/State			
Country			
Date of Birth			
Current Nationality			
Previous Nationalities			
Dual National Y/N			
State Dual Nationality			
If Naturalised, Number & Date of Certificate			
Full Permanent Address (incl Post Code)			
Since (Date)			
Position in Company (Title)			
Signature*			

A signature indicates consent to background checks being made on the company and Board members with other UK Government Departments.

DECLARATION - To be signed by the Company Secretary, Legal Director or other senior company official not the Security Controller nominated on page A1

I confirm that the information provided on this form is, to the best of my knowledge, complete and accurate.

I confirm that, as a duly authorised officer of the company, I agree on behalf of the company to background checks being completed on the company and the identified Directors.

Print Name:

Signature:

Position in Company:

Date:

Appendix 2

Working for Government – Protection of Assets

1. Government Departments and Agencies are responsible for safeguarding at all times that material and information which is the property of government and which, if lost or compromised, would cause damage to the security or well being of the state, or to its relations with friendly governments; cause death, injury or distress to individuals; or cause significant financial loss to the state. Such information or material is given a classification the level of which indicates the security controls required to safeguard it.
2. A significant proportion of work for government Departments and Agencies has traditionally been performed under contract by commercial companies and industry, and as a result of current government policy this proportion is increasing. When such contracts require a contractor to hold material and/or information which bears a government classification, the contractor also has a duty to protect those assets while they are in his possession and this obligation extends to his employees and agents. When contracting out, the government Department or Agency concerned has a responsibility to ensure that the selected company is qualified to perform the work in question in terms of both general ability and quality of output and also that it is able adequately to protect the classified assets involved.
3. At the stage when a company is invited to tender for a government contract, it will be given broad advice on the range of physical security controls which are likely to be required to protect those government assets it may need to hold. These controls generally equate closely with those which would be required by any major insurance company. The prospective contractor will also be required to provide details of the company and the members of the Board of Directors so that checks can be made to establish whether they are likely to be reliable and responsible in protecting those assets. These checks will be made against the records of UK government Departments and also in some circumstances, against police records. In this context, contractors should be aware that if their company is subject to foreign ownership, control or influence or if any of the Directors are not British citizens, it may be necessary to make checks with the security authorities of the countries concerned and that this may delay the overall approval process.
4. Once this process has been satisfactorily completed and the decision to award a contract involving classified assets has been made, the company will be given further advice on any specific physical security controls it will need to install and any special procedures it will need to observe. If the contract is likely to require any unusual or expensive security controls, this will have been made clear to the company at the tender stage by the contracting department. The terms of the contract will state the obligation upon the company to comply with such security controls as the contracting department deems necessary.
5. It may also be necessary for those members of staff who will have access to the classified assets to be approved by the contracting department, which will notify the company of its specific requirements in this context.
6. Depending upon the sensitivity of the assets which the company will hold it may also be a requirement that the company should nominate both an employee to take responsibility as the company Security Officer for the day to day coordination and oversight of all security matters relating to the protection of those assets as well as a member of the board, who will accept responsibility for their protection on behalf of the company as a whole.
7. The contacting department, or its agents, will maintain regular contact with any company holding particularly sensitive classified assets to ensure that these continue to be protected to a satisfactory level and to advise the company about how to overcome any security problems which may arise.

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