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1 Introduction

1.1 Scope

Depending upon the requirements of the user government, the scope of inspection may include the verification of the goods in respect of quality, quantity, export market price, value for Customs purposes, Customs classification and import eligibility. The quality and quantity inspection may be for the purpose of verifying: a) that the goods conform to contractual specifications, and/or b) the value and Customs tariff code for Customs purposes. The result of the inspection is confirmed in a Report of Findings.

1.2 Objectives

The main objectives of PSI include:

- Correct assessment of import duties and taxes (based on ICARO SRL technical advice/opinions relating to value and classification of goods)

1.2.1 Trade facilitation to:

- Enhance Customs clearance procedures (in speed and efficiency);
- Minimise unfair competition to local industry and between other importers or exporters (by uniform application of import regulations, Customs value and classification);
- Encourage foreign investment (by transparency and predictability of procedures).



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- Foreign exchange conservation and /or protection of importers 'interests (by minimisation of over invoicing and detection of quality and quantity discrepancies and/or noncompliance with health/safety regulations).

1.3 WTO Agreements

1.3.1 WTO Agreement on Pre-shipment Inspection

The World Trade Organisation (WTO) Agreement on Pre-shipment Inspection requires inspection companies engaged in Pre-shipment inspection activities, contracted or mandated by Governments, to follow certain procedures when inspecting goods in the WTO Member countries which are destined to WTO Member countries. ICARO SRL is committed to carrying out inspection in accordance with this Agreement which relates to: execution of inspections in a non-discriminatory and transparent manner, site of inspection, inspection standards, protection of confidential business information, avoidance of conflicts of interest, avoidance of delays, price verification procedures for establishing the export market price and appeals procedures. Exporters who feel that ICARO SRL has not complied with this Agreement are invited to complain or appeal to the ICARO SRL office which carried out the inspection. After appeal to ICARO SRL, the exporter is also entitled to refer the matter to an Independent Review. Further information may be found in Section B.11.

1.3.2 WTO Agreement on Customs Valuation

WTO Member countries are required to implement the WTO Agreement on Customs Valuation, "ACV", (officially entitled the Agreement on Implementation of Article VII of GATT 1994), although developing country members may postpone implementation for the first few years after becoming a WTO member. Whenever the



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importing country has implemented ACV, ICARO SRL carries out its price verification for Customs purposes based on the ACV methodology outlined in detail under Section D of this brochure. For information on whether ACV, or another valuation method, is in force in a particular country, please refer to the ICARO SRL country Data Sheets for the Trade.

1.4 International Federation of Inspection Agencies (IFIA)

ICARO SRL is a member of the International Federation of Inspection Agencies (IFIA) and abides by the IFIA Code of Practice for Government Mandated Pre-shipment Inspections which is based on the WTO Agreement on PSI. A copy of the IFIA Code of Practice is available on the IFIA website (www.ifia-federation.org) or upon request from the ICARO SRL office in your country.

1.5 ICARO SRL Code of INTEGRITY AND PROFESSIONAL CONDUCT

To assure the integrity of ICARO SRL service and practices, which is the cornerstone of the reputation of ICARO SRL, all employees are required to comply with the ICARO SRL Code of Integrity and Professional Conduct which stipulates rules of professional behaviour in all dealings for the ICARO SRL Group. Details are available at the ICARO SRL website www.icarocompany.it

1.6 Inspection fees

ICARO SRL' fees for carrying out the inspection are borne either by the Government of the importing country or the importer or the exporter. Nevertheless, ICARO SRL reserves the right to invoice the seller in the following situations:



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- in the event of abortive inspection visits, idle time or prolonged duration of inspection due to non standard process of container vaning; or
- if, by agreement with the seller, ICARO SRL carries out inspection but does not subsequently receive a valid Service Request/Import Licence from the country of importation or
- if the exporter agrees to settle the inspection fee on behalf of the importer and obtain subsequent reimbursement.

2 general administrative procedures

2.1 Initial notification

Pre-shipment inspection is initiated by ICARO SRL when it receives notice either from the importing country, or the seller, that an export needs to be inspected.

2.1.1 Notice from the importing country

ICARO SRL normally receives directly from the importing country a copy of a Service Request (SR) which may also be the Import Licence or Foreign Exchange Allocation Licence. The SR states, where applicable: the description and value of the goods, the name and address of the seller and importer, the country of supply of the goods and the importer's declaration of customs code. In such cases, ICARO SRL automatically advises the seller by sending a Request for Detailed Information (RDI) form which should be completed and returned to ICARO SRL. The RDI form requests,



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where applicable: copies of the documents relating to the export transaction; valuation information; product data sheets; packing list; test certificates; price lists; information on location of goods and date available for inspection. This form also lists the publications, relating to the inspection process, available to exporters. A specimen of the RDI form is to be found on the ICARO SRL website at www.ICARO SRL.com/psi_rdi

2.1.2 Notice from the seller

Failing to receive a RDI Form from ICARO SRL, the seller may contact the ICARO SRL office in the country of supply to arrange inspection by providing a copy of the Letter of Credit, if available, and the information and documents as per the RDI Form. For convenience, the RDI Form on the ICARO SRL website may be used. ICARO SRL will check that a Service Requests registered, so that an inspection may be scheduled. However, subject to prior authorisation from the importer, and provision of sufficient guarantee covering the inspection fee, an inspection may be carried out prior to the arrival of the original SR.

2.2 Preliminary price verification

a. After receipt of initial notification, ICARO SRL undertakes, where possible, a preliminary price verification, based upon the SR and/or other contractual documents received. ICARO SRL may, where necessary, contact the seller to obtain additional information or explanation to facilitate price verification or to support the seller's price. Depending upon the regulations of the importing country, (for guidance please refer to the ICARO SRL country Data Sheets for the Trade on the ICARO SRL website) price



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verification is undertaken to establishing opinion of: (I) an export market price and/or (II) a value for customs purposes. Details under Section D.

b. Upon request of the seller, prior to physical inspection, ICARO SRL will issue an Advice of Preliminary Price Verification indicating, where applicable: (I) The seller's price and/or exchange rate will be accepted, provided the goods presented to ICARO SRL inspection conform with the documents on which the preliminary price verification was carried out. (II) the ICARO SRL opinion of value for Customs purposes. Such Advice will be subject to receipt by ICARO SRL of the relevant documents such as the sales contract, proforma invoice and Service Request. It should be noted that: (I) An acceptance of the seller's price and/or exchange rate will not be withdrawn provided the goods presented to ICARO SRL inspection conform with the documents on which the preliminary price verification was carried out; (II) An ICARO SRL opinion for the guidance of the Customs Authorities is not necessarily the value which will be accepted for Customs duty purposes in the country of importation.

2.3 customs classification

When required by the government of the importing country, ICARO SRL forms an opinion of the Customs Classification Code based upon the Customs Tariff Book and Rules of Classification of the country of importation. The Customs Classification Code determines the tariff rate on the basis of which the importer will be required to pay import duties.



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2.4 COMPLIANCE with contractual specifications

When required by the government of the importing country, ICARO SRL will check that the specifications of the goods presented for inspection conform with the contract and/or proforma invoice and/or Service Request. However, in some cases, the regulations of the importing country may prescribe that the goods comply with certain product standards or requirements. Nevertheless ICARO SRL inspection does not relieve sellers from their contractual obligations.

2.5 Import eligibility

Most countries require ICARO SRL to check that the importation conforms with their import regulations. For example:

a. Product labelling: ICARO SRL will check that the goods conform to any special requirements for the labelling of certain products, especially pharmaceuticals and foodstuffs. Further information available in the ICARO SRL country Data Sheets for the Trade.

b. Expiry dates and shelf-life: ICARO SRL will verify expiry dates and remaining shelf-life according to the regulations or government requirements of the country of importation. For example, government requirements often prescribe that the minimum remaining shelf-life should be at least 50 percent of the manufacturer's recommended shelf-life in respect of pharmaceutical products, and 75 percent in respect of vaccines and biological products.



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2.6 Physical inspection

PSI programmes generally include physical inspection for the purpose of verifying that the goods correspond to the documents provided in respect of: goods description, quantity and specification and, where applicable, the import regulations of the importing country (e.g. labelling, health, safety, etc.). The physical inspection may also provide additional information to support price verification and customs classification. Traditionally, this inspection is performed on every shipment. Nevertheless, depending on the requirements of the importing country, the necessity to examine every shipment may be reduced by using risk profiling techniques. These are either determined by the user government, or based on a quality assurance inspection programme under which ICARO SRL carries out quality assurance audits of the manufacturer's premises and/or distribution centres. ICARO SRL systematically informs the seller, after receipt of the RDI Form, of the physical inspection requirements. Further details are to be found under Section C. Specific country requirements are contained in the ICARO SRL country Data Sheets for the Trade.

2.7 Final price verification and classification

Based on the results of inspection and appropriate final documents, ICARO SRL finalises the price verification and the ICARO SRL opinion of Customs classification code. When the preliminary price verification has not resulted in any unresolved questions, and the inspection result and other documents received are consistent with the preliminary documentation, ICARO SRL will not normally require any additional information. The main exception would be if the terms of sale require reference to prices at the date of shipment.



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2.8 Shipment of the goods

The seller is advised to check with ICARO SRL prior to shipment if the physical inspection results have been satisfactory. If unsatisfactory, the results are either conditional or rejected. In both instances the seller should endeavour to solve the problem with ICARO SRL.

2.9 The Report of Findings

2.9.1 Types of Reports of Findings

Upon completion of the PSI inspection ICARO SRL ' opinion is expressed in a Report of Findings which falls into two categories:

- Satisfactory result. ICARO SRL issues:
 - A Clean Report of Findings (CRF) which, where applicable, is complemented by
 - A Security Label Confirmation of Issuance of CRF: for seller's L/C negotiation/payment purposes.
- Discrepancy result. ICARO SRL issues:
 - A Discrepancy Report or
 - A Non-Negotiable Report of Findings (NNRF).



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2.9.2 Clean Report of Findings (CRF)

- **Issuance:** The CRF, or equivalent, is normally issued within 2 working days (1 day for air freight or exports to neighbouring countries) of receipt of the necessary correct final documents and a satisfactory result in all aspects of the inspection.

- **Requirements:** The final documents required vary according to the import requirements of each country, but always include a copy of the seller's final Commercial Invoice and, frequently, may require a copy of the Bill of Lading or Air Waybill. Details are contained in the ICARO SRL country Data Sheets for the Trade which also advise whether the documents may be sent by the exporter to the ICARO SRL office handling the inspection, or by the importer to the ICARO SRL Liaison Office in the country of importation. In order to avoid delays in the issuance of the CRF it is recommended that the documents be submitted to ICARO SRL as soon as available.

- **Despatch:** The original CRF is generally provided to the importer for Customs clearance purposes.

Upon request, ICARO SRL will issue to the seller, for information purposes, a copy of the CRF.

2.9.3 Security Label Confirmation of Issuance of CRF

When required for L/C negotiation/payment purposes, ICARO SRL returns to the seller a copy of the seller's final invoice on which has been affixed a Security Label confirming that a CRF has been issued.



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2.9.4 Discrepancy Report

If an inspection results in discrepancies which cannot be promptly rectified, thereby preventing a CRF from being issued, ICARO SRL will issue a “Discrepancy Report”, giving reasons for non-issuance of the CRF, normally within either 2 working days of receipt of final documents or 1 month of the inspection, whichever is sooner. In such cases, ICARO SRL will be happy to advise exporters of the steps which need to be taken, where applicable, in order for a CRF to be issued.

2.9.5 Non-Negotiable Report of Findings (NNRF)

The regulations of some importing countries require ICARO SRL to issue a Non-Negotiable Report of Findings” (NNRF) instead of a Discrepancy Report. The NNRF cannot be used for payment purposes without the approval of the authorities of the importing country.

2.10 Complaints and appeals

ICARO SRL is committed to execute Preshipment inspections, on behalf of governments, in accordance with the procedures outlined in these “Guidelines for Exporters” and the WTO Agreement on Pre-shipment Inspection. Any exporter who feels that these procedures have not been complied with is invited to contact the ICARO SRL office which performed the inspection as per the following procedure:

2.10.1 Complaints

a. In the first instance, exporters with complaints about Pre-shipment inspection activities should contact the Managing Director, Governments and Institutions Services (GIS) at the ICARO SRL office concerned.



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b. The GIS Manager undertakes to investigate the complaint and respond promptly.

c. If the exporter is dissatisfied with the response, he may proceed to an Appeal as per point B.10.2 below.

2.10.2 Appeals

a. Exporters with grievances that have not been resolved by discussion with the GIS Manager, under the complaints procedure of point 10.1 above, may appeal to the Managing Director of the ICARO SRL affiliate in the country concerned, by completing and submitting a “Pre-shipment Inspection Internal Appeal Form”. A specimen of this form is to be found in the Annex to this brochure. For convenience, this specimen may be photocopied and filled out or, alternatively, may be obtained from the ICARO SRL website: www.ICARO SRL .com/ivp/psi. The ICARO SRL Managing Director undertakes to investigate the grievance and responds to the exporter, normally within two working days of receipt of a completed “Pre-shipment Inspection Internal Appeal Form”, by either: (I) giving the result of the appeal, or (II) advising that further investigation is required and that the result will follow as soon as possible, but within 10 working days.

2.11 Independent Reviews

In accordance with the WTO Agreement on Pre-shipment Inspection, Article 4, exporters who are of the opinion that ICARO SRL has not carried out the Pre-shipment inspection in compliance with its obligations under the provisions of the Agreement may, at least two working days after submission to ICARO SRL of a completed “Pre-shipment Inspection Appeal Form”, as per point 10.2a) above, refer



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the dispute to an Independent Review. Details are contained in a separate publication available upon request from the ICARO SRL Office in your country.



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3 physical inspection procedures

3.1 Arrangements for physical inspection

3.1.1 *Inspection request from the seller*

Upon receipt from the seller of the RDI form or advice providing details of the location of the goods and date on which the inspection is required, ICARO SRL contacts the person indicated by the seller in order to finalise the inspection arrangements.

If the ICARO SRL office receiving the RDI form or inspection request is not the country of inspection of the goods, it will be transferred to the office in the country of inspection. Note: Some importing countries appoint different inspection companies for different geographical areas. In such cases it may be necessary to transfer the file to another inspection company responsible for the country in which the goods will be inspected.

3.1.2 *Place of inspection*

The physical inspection is normally carried out by the ICARO SRL office in the Country of exportation/supply of the goods and, whenever possible, in the manufacturer's or supplier's premises. Inspection of bulk cargoes is usually undertaken at time of loading of the ocean vessel. Occasionally, it may be necessary for ICARO SRL to carry out inspections during production or witness tests at the manufacturer's premises. Sellers should liaise with ICARO SRL in advance if there is any doubt concerning the suitability of the proposed inspection location.



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3.1.3 Date of inspection

In order to facilitate inspection planning ICARO SRL normally requests sellers to give, whenever possible, 3 working days' advance notice of the date on which they wish the inspection to be carried out. Nevertheless, in cases of emergencies, every effort will be made by ICARO SRL to undertake the inspection earlier. Once an inspection date has been agreed by ICARO SRL and the seller, ICARO SRL undertakes to carry out the inspection on that date unless the inspection is rescheduled by mutual agreement, or the inspector is prevented from carrying out the inspection by the seller/inspection site, or by force majeure.

3.2 Presentation of goods for inspection

Sellers are responsible for ensuring that:

a. The goods are presented to ICARO SRL in a satisfactory location to facilitate a proper inspection and, where applicable, sampling or testing. Goods should be presented in operational condition where functional testing is relevant.

b. Reasonable facilities and assistance are provided to the ICARO SRL inspector(s), where applicable, such as sufficient labour to handle the goods including unpacking or repacking, facilities to weigh the goods, witness manufacturer's tests, conduct ICARO SRL tests, etc.

3.3 Inspection standards

Unless the government of the importing country stipulates to the contrary, ICARO SRL will execute quality and quantity inspections in accordance with the standards



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defined by the seller and the buyer in the purchase agreement or, in the absence of such standards, relevant international standards.

3.4 Laboratory analysis and testing

In addition to witnessing manufacturer's tests, where applicable, ICARO SRL may request from sellers copies of the manufacturer's or independent test/laboratory analysis certificates. ICARO SRL may also, where appropriate, submit samples to a ICARO SRL or independent laboratory for analysis or testing.

3.5 Samples

Samples will only be taken and retained in accordance with customary quality control procedures, it being the seller's responsibility to replace any samples drawn. ICARO SRL will store samples for three months; thereafter they will be disposed of unless the seller requests in writing that they be returned.

3.6 Inspection and sealing of "Full Container Loads" (FCL)

The authorities of some countries require that ICARO SRL witness the stuffing and carry out the sealing of "Full Container Loads" (FCL). In such cases, sellers may be required to give advance notice to ICARO SRL of container stuffing arrangements. Where appropriate, the date of inspection will be scheduled to coincide with the container stuffing. For advice on applicability, please consult the ICARO SRL country Data Sheets for the Trade.

3.7 Capital projects

For capital projects, it may be necessary for ICARO SRL to carry out inspections during production and to witness the manufacturer's tests. In such cases, ICARO SRL will liaise



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with sellers so that the inspections can be planned to fit-in with the manufacturer's schedules.

3.8 Second-hand goods

Some countries do not allow imports of second-hand goods, reconditioned goods or goods which are in a "not new" condition without a special licence or permission: please refer to the ICARO SRL country Data Sheets for the Trade for further information. In any case, ICARO SRL cannot accept goods in a not new condition unless indicated in the Service Request and/or proforma invoice and/or contract, or unless the importer subsequently confirms in writing his acceptance of the goods. Where appropriate, ICARO SRL may be required to see the goods in running condition and, consequently, sellers are advised to check with ICARO SRL, where applicable, before dismantling and packing.

3.9 Physical inspection results

When the physical inspection is completed, the inspector submits his report to the ICARO SRL office, then the result of inspection will be communicated to the seller and, where applicable, at the place of inspection. The result will state: satisfactory, conditional or unsatisfactory. The seller is welcome to present his views in writing to ICARO SRL, in the event of any query regarding the issuance of a conditional or unsatisfactory inspection result.

3.9.1 Satisfactory

This confirms that the result of physical inspection is satisfactory provided the seller proceeds with shipment within 2 months of the date of inspection, unless a shorter validity period is stipulated. Nevertheless, the seller is advised to check with ICARO SRL



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if there are any doubts concerning the acceptance of the consignment in respect of price or import eligibility.

3.9.2 Conditional

This implies that the result is acceptable, subject to certain conditions such as a satisfactory laboratory test/analysis, or the submission of an acceptance test certificate or other relevant document. In all other respects, the conditions as per a satisfactory result apply (9.1 above).

3.9.3 Unsatisfactory

An unsatisfactory result implies that a Clean Report of Findings cannot be issued without a rectification of the discrepancy or advice of acceptance from the country of importation. The two main types of unsatisfactory results are:

3.9.3.1 Quality and quantity

a. Any discrepancies identified by the inspector with regard to quantity and/or quality will be indicated. Such discrepancies may be resolved either by: (I) the seller rectifying the discrepancies, or (II) ICARO SRL receiving, usually via the ICARO SRL Liaison Office in the country of importation, the importer's confirmation of acceptance subject to this being in conformity with the import regulations. In some cases, an amendment to the Service Request may also be required.

b. If re-inspection is required at a later date, the seller should make arrangements for another inspection. If the seller is in disagreement with the inspector's findings he may immediately contact the ICARO SRL office.



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3.9.3.2 Eligibility

In those cases where the government of the importing country requires ICARO SRL to check that the consignment conforms with certain import regulations, such as labelling, health requirements, etc., ICARO SRL will advise the seller for appropriate action if the inspection reveals a discrepancy..



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4 price verification

4.1 Purpose

ICARO SRL undertakes price verification of the goods in order to provide technical advice or opinions to the government of the importing country on either:

a. A Value for Customs Purposes to facilitate the assessment by Customs of the dutiable value, which will be used as a basis for the payment of import duties and taxes by the importer, and/or

b. An Export Market Price which is used for foreign exchange or government information purposes.

4.2 Value for Customs Purposes

4.2.1 Valuation Methodologies

ICARO SRL follows the Customs Valuation methodologies and requirements of the importing countries which are normally based on either: a. The WTO Agreement on Customs Valuation (ACV) or b. The Brussels Definition of Value (BDV). A few countries require ICARO SRL to give an opinion based on the export market price (see 3.3). The ICARO SRL country Data Sheets for the Trade advise the particular valuation methodology for each country concerned. The provision by ICARO SRL of a technical advice on a Value for Customs Purposes does not interfere with the price contracted between buyer and seller: no revision to the commercial invoice is required.



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4.2.2 WTO Agreement on Customs Valuation (ACV)

4.2.2.1 Reference Publications

The basis of ACV is:

I The WTO “Agreement on Implementation of Article VII of GATT (1994)” commonly referred to as the “Agreement on Customs Valuation”(ACV) and formerly known as GATTValuation Code.

II The WTO Ministerial “Decision regarding cases where Customs administrations have reasons to doubt the truth or accuracy of the declared value”.

Although these authoritative publications, may be consulted for full details at www.wto.org, the following text serves as a guideline based on ICARO SRL interpretation.

4.2.2.2 Methodology Overview

The ACV sets forth six different methods of valuation in order of preference. The first method should be used unless certain conditions are not complied with; in such case one proceeds to the other methods(2 to 6) in hierarchical order of preference.

4.2.2.3 Role of Pre-shipment Inspection

The main role of ICARO SRL, in the context ofACV, is to provide technical advice to the Customs Administration by supplying valuation opinions/information in the Report of Findings, that:



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I Indicates if there is compliance with the Transaction Valuation Conditions, including relationships between buyer and sellers as per 2.2.4 below (ACV Article 1);

II Indicates applicable Adjusting Factors (e.g. commissions, royalties and assists) as per 2.2.8 below (ACV Article 8);

III May give reasons to doubt the truth or accuracy of the declared transaction value thereby enabling Customs to focus on those transactions which may be worthy of further examination; IV Is a source of reference for other transactions of identical or similar goods in conformance with valuation Methods 2, 3 & 6 of ACV.

4.2.2.4 *Transaction Valuation Conditions*

1. Method 1 may only be used if certain conditions stated under ACV Article 1.1 are complied with (see Figure 1, page 12)

2. II In the event of::

- Compliance with all Transaction Valuation Conditions, or
- Compliance with all Transaction Valuation Conditions except a relationship between buyer and seller: ICARO SRL proceeds to 2.2.5 to verify the Declared Transaction Value (DTV), and for related buyers and sellers: verify that the relationship has not influenced the price.³
- Non compliance with any conditions ICARO SRL proceeds to provide information based on Methods 2, 3 or 6 (see 2.2.6 on this paragraph).



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4.2.2.5 ICARO SRL Information under Method 1: Verification of the Declared Transaction Value ("DTV")

1. ICARO SRL establishes if either there are reasons to doubt the DTV or, in the case of related buyers and sellers, whether the relationship influenced the price, by "testing" it against the ICARO SRL price data base of:
 - Other transactions with the country of importation, of identical or similar goods, taking into account, where applicable, the Valuation Decisions received from the Customs Administration or Appeal Body in Country of Importation.
 - In the absence of information on other transactions, non-transactional data (e.g. quotations, prices lists, information from trade experts) relevant to the country of importation, of identical or similar goods of the same country of origin.
2. When carrying out the above mentioned test, ICARO SRL takes into account, where applicable:
 - Adjusting Factors (see 2.2.8 below)
 - Differences in commercial level and/or quantity and/or cost of transport.
3. If the DTV is:
 - At the same level or higher than the lowest price in the range of identical or similar goods the DTV is accepted by ICARO SRL as the Customs Value (dutiable value).
 - Below the lowest price in the range:
 - ICARO SRL requests the seller for additional information to explain the price. If satisfactory information is received, the DTV is accepted by ICARO SRL as the Customs Value.



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- In the absence of satisfactory information, reasonable doubts about the truth or accuracy of the DTV will have to be established.

4.2.2.6 ICARO SRL Information under the other Methods

If the Transaction Valuation Conditions, as per 2.2.4 above, are not satisfied, ICARO SRL, where possible, forms a Valuation Opinion of the goods based on Methods 2,3, or 6 in order of preference. If required, ICARO SRL may also provide technical assistance to Customs on Methods 4 or 5.5

1. Methods 2 or 3: by comparison with the lowest price in the range of previously accepted transactions, which are still acceptable, at or about the same time, to the same country of importation, of identical goods or, if not available, similar goods of the same country of origin. Where applicable, adjustments are made for differences in commercial level and/or quantity and/or cost of transport.
2. Methods 4 & 5: upon request of Customs ICARO SRL may also provide technical assistance.
3. Method 6: by applying methods 2 or 3 more flexibly including transactions to the country of importation from other countries of origin.

4.2.2.7 The Report of Findings (ROF)

ICARO SRL issues the ROF stating the ICARO SRL Valuation Opinion (VO), for the guidance of Customs, which will reflect one of the following:

1. The Declared Transaction Value (DTV), taking into consideration the Adjusting Factors where necessary, or



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2. A reason to doubt the truth or accuracy of the DTV, or 6

If the Transaction Valuation Conditions are not complied with: an opinion based on Methods 2, 3 or 6 depending upon the availability of information.(Additionally, information on Methods 4or 5 if required by Customs.)

4.2.2.8 *Adjusting Factors*

4.2.2.8.1 *Definition*

Adjusting Factors are the various elements, such as commission, costs of packing, and buyer assists, that must be added to the price actually paid or payable for the imported goods to arrive at the Transaction Value of those goods.

4.2.2.8.2 *Adjusting Factors Applicable in All Cases*

In determining the Transaction Value, there shall be added to the price actually paid or payable for the goods:

- a. The following, to the extent that they are incurred by the buyer but are not included in the price actually paid or payable for the goods :
 - commission and brokerage,except buying commissions;
 - the cost of containers which are treated as being one for Customs purposes with the goods in question;
 - the cost of packing whether for labour or materials;
- b. "Assists": the value, apportioned as appropriate, of the following good sand services where supplied directly or indirectly by the buyer free of charge or at reduced cost, for use in connection with the production and sale for export of



the imported goods, to the extent that such value has not been included in the price actually paid or payable:

- materials, components, parts and similar items incorporated in the imported goods;
 - tools, dies, moulds and similar items used in the production of the imported goods;
 - materials consumed in the production of the imported goods;
 - engineering, development, artwork, design work, plans and sketches undertaken elsewhere than in the country of importation and necessary for the production of the imported goods;
- c. Royalties and licence fees related to the goods being valued that the buyer must pay, either directly or indirectly, as a condition of sale of the goods being valued, to the extent that such royalties and fees are not included in the price actually paid or payable.
- d. The value of any part of the proceeds of any subsequent resale, disposal or use of the imported goods that accrues directly or indirectly to the seller.

4.2.2.8.3 Adjusting Factors Applicable if Legislation of the Country of Importation so Provides

The following adjusting factors maybe taken into consideration, wholly or in part, as provided in the laws and regulations of the country of importation:

- The cost of transport of the imported goods to the port or place of importation.
- Loading, unloading and handling charges associated with the transport of the imported goods to the port or place of importation; and



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- The cost of insurance.

4.2.2.8.4 Exclusions

No additions shall be made to the price actually paid or payable in determining the customs value except as provided in this Section. In particular, the following elements shall not be taken into account:

- All discounts except retrospective discounts
- The following charges, even if included in the commercial invoice, provided they are separately declared:
 - Interest charges for deferred payment;
 - Post-importation charges (e.g. inland transportation charges from the port or place of entry to the final destination, installation or erection charges, etc.);
 - Duties & Taxes in the country of importation..

4.2.2.8.5 Objective and Quantifiable Data

Additions to the price actually paid or payable shall be made only on the basis of objective and quantifiable data.

4.2.3 Brussels Definition of Value (BDV)

4.2.3.1 Reference Publications

The basis of Customs valuation is laid down in “Customs Valuation: Convention, Recommendations, Opinions, Notes and Studies” and “Customs Valuation:



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Explanatory Notes to the Brussels Definition of Value". Although these official authoritative publications may be consulted for full details at www.wcoomd.org, the following text serves as a guideline based on ICARO SRL' interpretation.

4.2.3.2 *Definition*

The value for Customs purposes shall be the normal price, that is to say, the price which the goods would fetch on sale in the open market between a buyer and a seller independent of each other.

4.2.3.3 *Procedure for establishing the ICARO SRL opinion of value for Customs purposes*

1. ICARO SRL establishes an opinion of value for Customs purposes by comparing the seller's invoice price with the prices at which identical or similar goods are sold or offered for sale to the country of importation taking in to account, where applicable:

- a. the conditions for determining the normal price: see section 2.3.4
- b. the valuation factors: see section 2.3.5

In the event that the seller's invoice price is:

- within the range of prices of identical or similar goods the seller's invoice price will be utilised as the basis for the ICARO SRL opinion of the value for Customs purposes.
- outside the range of prices of identical or similar goods:



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- ICARO SRL may request the seller for additional information to explain the price.
- In the absence of satisfactory information, the ICARO SRL opinion of value for Customs purposes will be based on the prices of identical or similar goods.

4.2.3.4 *Conditions for the determination of the normal price*

1. Assumptions:

- the goods are delivered to the buyer at the port/place of introduction into the country of importation.
- the seller bears all costs, charges and expenses incidental to the sale and to the delivery of the goods to the port or place of introduction, which are hence included in the normal price.

2. A sale in the open market between a buyer and seller independent of each other presupposes that:

- the price is the sole consideration.
- the price is not influenced by any commercial, financial or other relationship, whether by contractor otherwise, between the seller or any person associated in business with him and the buyer or any person associated in business with him, other than the relationship created by the sale itself.
- no part of the proceeds of any subsequent resale, other disposal or use of the goods will accrue, either directly or indirectly, to the seller or any person associated in business with him.



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3. The declared price will not be accepted as an open market price when:

- The next point above is not complied with; or
- the price is lower (unless the variation in price is slight or corresponds to trade practice) than those of identical goods from the same seller to any importer in the country of importation; or
- the price is considerably lower than those of:
 - identical goods being sold by other sellers in the same country of exportation to any importer in the country of importation; or
 - similar goods being sold by sellers in the same country of exportation to any importer in the country of importation; or
 - identical or, failing this, similar goods being sold by sellers in other countries for exportation to any importer in the country of importation but taking into account, where applicable, variations in the costs of the factors of production in the countries of exportation.

4.2.3.5 *Adjusting Factors*

I Definition: Adjusting factors are the various elements, such as discounts, interest charges, commissions, advance payments, etc., which must be taken into account by addition or deduction, where applicable, in determining the normal price or value for Customs purposes.

II Dutiable Adjusting Factors: The following adjusting factors are dutiable and, if applicable and not already included in the price, should be added to arrive at the normal price:



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- Carriage and Freight
- Insurance
- Commissions (including buying commissions) and broker age costs, charges and expenses of drawing up, outside the country of importation, documents incident alto the introduction of the goods into the country of importation,including consular fees.
- Duties and taxes outside the country of importation except those from which the goods have been exempted or have been or will be relieved by means of refund.
- Costs of containers, excluding those which are treated as separate articles for the purpose of levying duties of Customs, cost of packing (whether for labour, materials or otherwise)
- Charges in respect of the right of use of a patent, design or trademark in respect of the goods.
- Not freely available discounts (discounts not available to any buyer at the commercial level of sale) e.g. sole agent's discounts, special/abnormal discounts, etc.
- Retrospective discounts and advance payment discounts
- Advance payments
- The value of "Free of charge" goods or samples
- Seller's expenses paid by the buyer

III Non-dutiable Adjusting Factors: The following adjusting factors are non dutiable and, if applicable and not already excluded from the price, should be deducted to arrive at the normal price:

- Discounts freely available to anyone (e.g. quantity discounts, cash discounts, etc.)



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- Interest charges for deferred payment
- Post-entry charges (e.g. inland transportation charges from the port or place of entry to the final destination, installation or erection charges, etc.)

IV Other Adjusting Factors: In determining the normal price other adjusting factors, including but not limited to the following, are taken into account where applicable:

- Quantity/unit size
- Quality/specifications/trademark
- Packaging
- Commercial level
- Seasonal influences
- Delivery periods and conditions

4.2.3.6 *Sources of price information*

Other transactions, contracts, offers for sale, quotations, price lists, market reports, trade journals, etc. Providing prices for export applicable to the country of importation.

4.3Export Market Price

4.3.1 Purpose

ICARO SRL establishes, where applicable, an opinion of the export market price in line with the price verification procedures of the WTO Agreement on Pre-shipment Inspection (Article 2.20 (a) to (e)) which is used either for foreign exchange purposes, government information purposes or, in certain countries, for Customs purposes.



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4.3.2 Principles

a. ICARO SRL compares :

- the seller's invoice price taking into account the terms and conditions of sale, quantity, quality/ specification, packing and additional services; with
- the ICARO SRL opinion of the export market price.

b. ICARO SRL establishes if the seller's invoice price is in line with or above or below the ICARO SRL opinion of the export market price.

c. For countries with foreign exchange regulations: in order to conserve foreign exchange reserves, funds may only be released equivalent to the seller's invoice value acceptedly ICARO SRL in the CRF.

When the initial ICARO SRL opinion of the Export Market Price differs from seller's invoice price, ICARO SRL will contact the seller to request additional information.

If after taking all known facts into consideration, the ICARO SRL opinion of the Export Market Price is below the seller's invoice price, ICARO SRL may request the seller to adjust the invoice price to correspond to the ICARO SRL opinion in order that a CRF may be issued.

4.3.3 Establishing an export market price

ICARO SRL establishes an opinion of an export market price by:

a. determining a base price by reference to various sources of information, including, but not limited to:



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- ICARO SRL Price Databanks based upon other shipments inspected
- Published market reports
- Trade association publications
- Sellers' or manufacturers' export price lists Information from physical or futures markets
- Market information available to ICARO SRL from other sources

b. adjusting the base price by the following aspects, where applicable, to reflect all the terms, conditions and services of the transaction:

- Adjusting Factors
- Ancillary Charges
- Ocean/Air Freight
- Post Entry Charges

4.3.4 Adjusting factors

Adjusting factors taken into account include but are not limited to:

- a. delivery periods
- b. delivery conditions (ex works, FOB,CFR, etc.)
- c. firm price or price subject to specified fluctuations
- d. fluctuating exchange rates (see point3.10)
- e. quality specifications/product brand



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f. shipping or packing requirements

g. special unit packaging

h. quantity

i. discounts

j. commercial level

k. current or obsolete goods

l. brand new or second hand/not new condition

m. spot sales

n. seasonal influences

o. licence/intellectual property fees

p. capital projects (plant projects/turnkey projects; (see 3.11))

q. relevant economic factors pertaining to country of importation versus the country or countries used as a basis of price comparison

r. repatriable amounts (see 3.8)

s. any other commercially acceptable factors identified and justified by the seller.



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4.3.5 Ancillary charges

The following ancillary charges, which are additional to the FOB value, will be taken into account where applicable and permissible under the regulations of the importing country: buying agents or confirming fees, finance or interest charges, transport insurance. Please refer to the ICARO SRL country Data Sheets for the Trade concerning any specific requirements of the country of importation.

4.3.6 Freight charges

ICARO SRL bases its opinion of the freight charge on the going market rate, taking into account the terms of the contract.

4.3.7 Post-entry charges

Post-entry charges are those included in the seller's invoice in respect of services to be rendered after importation of the goods e.g. installation, erection, commissioning, etc. Depending upon the regulations of the importing country, ICARO SRL may be required to review these charges.

4.3.8 Date of reference

The date of reference for verifying the export market price is the date of the contract, or in the absence of a contract, the date of the proforma invoice except for:

a. Contracts stipulating that prices may vary in accordance with certain conditions (e.g. prices ruling at date of despatch) provided they are consistent with customary commercial practice and permitted under the regulations of the importing country.



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b. Sales by International Tender when the date of closing of the Tender is used.

4.3.9 Fluctuating exchange rates

a. For fixed price contracts in a specific currency, no adjustment to the price due to fluctuating exchange rates is acceptable.

b. In examining the export price market, conversion from known market prices in one currency to the currency in which the price is invoiced will be made on the basis of the exchange rates valid on the reference date used by ICARO SRL for price comparison.

c. Conversions by commission agents from the currency of price to the currency of payment shall be made on the basis of the exchange rates valid on the date of the settlement invoice provided that the invoice is issued within a reasonable period of time from the date of shipment.

d. Where credit is given, the applicable forward rate of exchange at the date of contract shall be applied.

4.3.10 Capital projects

In determining the total value of the project, ICARO SRL will take into account as appropriate the following factors :

a. Design and engineering charges (e.g. Civil Works Design, Project Design/Consultancy)

b. Project planning



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- c. Project management and co-ordination
- d. Research and Development
- e. Know-how
- f. Installation/erection (including transportation & depreciation of installation machinery/equipment)
- g. Commissioning
- h. Export Credit/Guarantee risks(e.g. COFACE, ECGD, etc.)
- i. Financing
- j. Procurement/Expediting
- k. Royalties and
- l. Training



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5 Annex: pre-shipment inspection programme

ICARO SRL

- Receives Service Request from importing country
- Sends Request for Detailed Information to seller
- Commences preliminary price verification

SELLER

- Completes Request for Detailed Information and returns to ICARO SRL together with relevant documents

ICARO SRL

- Reviews documents
- As applicable:
 - Fixes inspection date or confirm no of inspection required
 - Carries out physical inspection
 - Provides supplier and/or seller with the physical inspection result.

SELLER

- If the inspection result is satisfactory (or if no inspection is required) seller may proceed with shipment (may check with ICARO SRL if any doubts concerning issuance of Clean Report of Findings)



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- Submits to ICARO SRL the final documents required (see ICARO SRL Country Data Sheets for the Trade).

ICARO SRL

- Finalises price verification, customs classification and verification of import eligibility
- Prepares Clean Report of Findings, provided documents and all aspects of inspection are satisfactory
- Issues Clean Report of Findings and, where applicable, Security Label to seller.



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6 Annex: Pre-shipment Inspection Internal Appeal Form (I)

NOTES :

- Exporters with complaints about Pre-shipment inspection (PSI) activities are, in the first instance, requested to discuss the matter with the appropriate department manager of the ICARO SRL office responsible for performing the PSI activity (“ICARO SRL office”). If, following discussions, an exporter is dissatisfied with the result, he is invited to appeal to the Managing Director at the ICARO SRL office, by completing and submitting this form.
- The Managing Director undertakes to investigate the grievance and will respond to the exporter, normally within 2 working days of receipt of this form fully completed, by either (a) giving the result of the appeal or (b) advising that further investigation is required and that the result will follow as soon as possible, but within 10 working days. (These procedures take into consideration the WTO Agreement on Pre-shipment Inspection, Article 2.21)



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<p>1. EXPORTER Company Name: _____ _____ _____ _____ _____ Address: _____ _____ _____ _____ _____ Telephone : _____ Telefax: _____ E-mail: _____ Contact person: _____ _____</p> <p>2. EXPORTER'S COMPLAINT DISCUSSIONS Prior to completion of this form, the complaint should already have been discussed with the Icaro Srl office staff. Please advise Icaro Srl office location: Person with whom complaint discussed: _____</p> <p>3. REFERENCE NUMBERS Inspection Order Reference N °: _____ (as advised by Icaro Srl or importer) _____ Contract/Order/Proforma Invoice/Final Invoice N °. _____ _____</p> <p>4. DESCRIPTION OF GOODS _____ _____ _____ _____ _____ _____ _____</p>	<p>If you wish to appeal that the action of Icaro Srl is not in accordance with the WTO Agreement on Pre-shipment Inspection, please complete Section 5 below. If not applicable, please proceed to Section 6.</p> <p>5. NATURE OF GRIEVANCE WITH THE Icaro Srl OFFICE Please indicate, by marking an "x" in the appropriate box(es) below, which articles of the WTO Agreement on Pre-shipment Inspection ("API") have, in your opinion, not been complied with by the Icaro Srl office.</p> <table border="0"> <thead> <tr> <th style="text-align: left;">Category</th> <th style="text-align: left;">API Article N °</th> <th style="text-align: right;"></th> </tr> </thead> <tbody> <tr> <td>• Non-discrimination</td> <td>2.1</td> <td style="text-align: right;"><input type="checkbox"/></td> </tr> <tr> <td>• Site of inspection</td> <td>2.3</td> <td style="text-align: right;"><input type="checkbox"/></td> </tr> <tr> <td>• Standards</td> <td>2.4</td> <td style="text-align: right;"><input type="checkbox"/></td> </tr> <tr> <td>• Transparency</td> <td>2.5</td> <td style="text-align: right;"><input type="checkbox"/></td> </tr> <tr> <td></td> <td>2.6</td> <td style="text-align: right;"><input type="checkbox"/></td> </tr> <tr> <td></td> <td>2.7</td> <td style="text-align: right;"><input type="checkbox"/></td> </tr> <tr> <td>• Protection of Confidential Business Information</td> <td>2.9</td> <td style="text-align: right;"><input type="checkbox"/></td> </tr> <tr> <td></td> <td>2.11</td> <td style="text-align: right;"><input type="checkbox"/></td> </tr> <tr> <td></td> <td>2.12</td> <td style="text-align: right;"><input type="checkbox"/></td> </tr> <tr> <td>• Conflicts of Interest</td> <td>2.14 (a)</td> <td style="text-align: right;"><input type="checkbox"/></td> </tr> <tr> <td></td> <td>2.14 (b)</td> <td style="text-align: right;"><input type="checkbox"/></td> </tr> <tr> <td></td> <td>2.14 (c)</td> <td style="text-align: right;"><input type="checkbox"/></td> </tr> <tr> <td>• Delays</td> <td>2.15</td> <td style="text-align: right;"><input type="checkbox"/></td> </tr> <tr> <td></td> <td>2.16</td> <td style="text-align: right;"><input type="checkbox"/></td> </tr> <tr> <td></td> <td>2.17</td> <td style="text-align: right;"><input type="checkbox"/></td> </tr> <tr> <td></td> <td>2.18</td> <td style="text-align: right;"><input type="checkbox"/></td> </tr> <tr> <td></td> <td>2.19</td> <td style="text-align: right;"><input type="checkbox"/></td> </tr> <tr> <td>• Price Verification</td> <td>2.20 (a)</td> <td style="text-align: right;"><input type="checkbox"/></td> </tr> <tr> <td>(For export market price:</td> <td>2.20 (b)</td> <td style="text-align: right;"><input type="checkbox"/></td> </tr> <tr> <td>not customs valuation</td> <td>2.20 (c)</td> <td style="text-align: right;"><input type="checkbox"/></td> </tr> <tr> <td>purposes)</td> <td>2.20 (d)</td> <td style="text-align: right;"><input type="checkbox"/></td> </tr> <tr> <td></td> <td>2.20 (e)</td> <td style="text-align: right;"><input type="checkbox"/></td> </tr> <tr> <td>• Appeals Procedures</td> <td>2.21</td> <td style="text-align: right;"><input type="checkbox"/></td> </tr> <tr> <td></td> <td>2.21 (a)</td> <td style="text-align: right;"><input type="checkbox"/></td> </tr> <tr> <td></td> <td>2.21 (c)</td> <td style="text-align: right;"><input type="checkbox"/></td> </tr> </tbody> </table> <p>Notes : If your grievance: I Does not concern the above mentioned categories, please proceed to Section 6. II Concerns the above mentioned categories and also relates to PSI carried out in a WTO member country of goods for importation into a WTO member country: you are entitled to submit the dispute to an Independent Review, at least two working days after submission of this form to the Icaro Srl office, in accordance with Article 4 of the WTO Agreement on Pre-shipment Inspection. Further details are available from Icaro Srl upon request.</p>	Category	API Article N °		• Non-discrimination	2.1	<input type="checkbox"/>	• Site of inspection	2.3	<input type="checkbox"/>	• Standards	2.4	<input type="checkbox"/>	• Transparency	2.5	<input type="checkbox"/>		2.6	<input type="checkbox"/>		2.7	<input type="checkbox"/>	• Protection of Confidential Business Information	2.9	<input type="checkbox"/>		2.11	<input type="checkbox"/>		2.12	<input type="checkbox"/>	• Conflicts of Interest	2.14 (a)	<input type="checkbox"/>		2.14 (b)	<input type="checkbox"/>		2.14 (c)	<input type="checkbox"/>	• Delays	2.15	<input type="checkbox"/>		2.16	<input type="checkbox"/>		2.17	<input type="checkbox"/>		2.18	<input type="checkbox"/>		2.19	<input type="checkbox"/>	• Price Verification	2.20 (a)	<input type="checkbox"/>	(For export market price:	2.20 (b)	<input type="checkbox"/>	not customs valuation	2.20 (c)	<input type="checkbox"/>	purposes)	2.20 (d)	<input type="checkbox"/>		2.20 (e)	<input type="checkbox"/>	• Appeals Procedures	2.21	<input type="checkbox"/>		2.21 (a)	<input type="checkbox"/>		2.21 (c)	<input type="checkbox"/>
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6. SUMMARY OF GRIEVANCE

Please advise the facts of the case and summarise the reasons why, in your opinion, the decision or conduct of the Icaro Srl office is not acceptable. Please attach copies of relevant documents.

7. PROPOSED SOLUTION TO THE GRIEVANCE

Please state your proposed solution to the grievance.

8. EXPORTER'S DECLARATION

I hereby declare that:

- a. I am an authorised employee of the exporter
- b. The information contained here is, to the best of my knowledge, correct.

Full name :

Position :

Company name :

Date : / /20

Signed :



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I.CA.RO S.r.l.

Date _____

Signature _____

Customer

Date _____

Signature _____