Chapter 1 General Provisions

Article 1 (Purpose) These regulations set forth the inspection procedure of goods procured under a contract of Pohang University of Science and Technology (hereinafter referred to as “University”) and the authority and responsibility related to the procedure.

Article 2 (Application Scope) Tasks related to the inspection of goods shall be processed in accordance with these regulations. However, matters concerning the inspection of goods delivered under a foreign procurement contract shall be stipulated separately in the Detailed Rules for Foreign Procurement Contract.

Article 3 (Definition) The terms used in these regulations shall be defined as follows:
1. “Goods” refers to any and all objects except properties that do not require construction work and inspection.
2. “Inspection” refers to examining and testing whether or not goods delivered under a contract is in agreement with the standards, specifications, design document, terms of the contract, etc. and deciding on acceptance or failure.
3. “Examiner” refers to the person requiring the purchase of goods or the user; an examiner controls and takes responsibility for the inspector’s inspection process and its result.
4. “Delivery date” refers to the date of completion of specified inspection for the contractual goods delivered to the designated place.
5. “Inspection date” refers to the date when the inspector records the inspection result in the inspection report and signs it.
6. “Appearance inspection” refers to a visual inspection of the structure, width, length, color, shape, and etc., of goods.
7. “Physico-chemical test” refers to testing the physical properties and chemical components of goods.
8. “100% inspection” refers to inspecting every single piece of goods to determine the quality.
9. “Sampling inspection” refers to an inspection where samples are randomly selected from a lot and inspected.
10. “Intermediate inspection” refers to an inspection where materials in the production process of goods or the production process is inspected.
11. “Final inspection” refers to the last inspection of goods to be delivered under a contract.
12. “Manufacturer inspection” refers to an inspection performed by a manufacturer on its own.
13. “Third-party inspection” refers to an inspection performed by a requested third-party agency.

Chapter 2 Inspection Procedure

Article 4 (Principle of Inspection) ① Inspection is performed by a person appointed inspector by each department using the goods.
② After inspection is performed by an inspector, goods shall be accepted by a examiner.
However, inspection may be exceptionally performed by a third-party agency.
③ The procedure for inspection is described in the attached table.

Article 5 (Appointment and Dismissal of Inspector) ① The inspector shall be a person appointed to be in charge of assets of each department. A department wherein a person in charge of assets may not be appointed inspector shall request the head of such department to appoint a separate inspector in consultation with the department responsible for assets.
(Amended March 1, 2007)
② If an inspector is transferred or dismissed, a new inspector must be appointed.

Article 6 (Responsibility of Inspector) An inspector shall assume responsibility for fair, prompt, and correct inspection of the quality and quantity of goods and must take corrective action if a violation of the contract is detected.

Article 7 (Relief from Responsibility) Under any of the following cases, an inspector may be relieved of his/her responsibility for inspection results:
1. When inspection has been made in good faith based on test and analysis results
2. When there is a defect in materials that was not detected during the sampling inspection
3. When a defect could not be identified in advance since the test facility was not in the school or within the country or practically unavailable

Article 8 (Delivery) A supplier shall be responsible for delay in performance when goods fail to pass the inspection conducted by the delivery date at a designated place.

Article 8-2 (Delay in Performance) ① The number of days of delay in performance shall be calculated based on the delivery date set forth in the contract and the date of actual delivery.
② The following shall be added to the number of days of delay in performance
1. Number of days of delay resulting from partial delivery or goods that failed inspection
2. Number of days of unjustified delay due to inspection request and sampling
3. Number of days of delay resulting from matters related to the preparation for the requested inspection, etc.
③ If the delivery date is a holiday, the next day shall be the delivery date under the contract. If the goods have not been delivered on the next day of as specified above, however, such holiday shall be added to the number of days of delay.
④ The period of time required for inspection after delivery is made to the University shall be excluded from the number of days of delay, regardless of the method of inspection. If the result of the second inspection performed following an objection raised by the person responsible for delivery is “failed,” however, the period of time incurred for the second inspection shall be included in the number of days of delay.

Article 9 (Inspection Period) An inspector shall perform and complete inspection no later than five days after a request for inspection is received. However, this shall not apply to goods requiring a certain period of time for inspection due to natural disasters, force majeure, performance test, etc.

Article 10 (Place of Inspection) An inspection shall be conducted at a place specified in the contract. The place of inspection may be changed if an inspector cannot perform his/her duty under any of the following cases:
1. When the quantity cannot be estimated because the place of inspection is narrow
2. When unjust movement or mixing of goods is likely since the place of inspection is crowded
3. When goods are difficult to use or transport, or second shipping charge can be saved
4. When goods need to be inspected in the place where a precision tester is available
5. Other inevitable cases

Article 11 (Request for Inspection) When goods are ready for inspection, the supplier must
request the department using the goods to perform inspection by providing the following documents. If the submission of the test report issued by an authorized agency is delayed, however, the number of days that elapsed shall be added to the number of days of delay:

1. Test report issued by an authorized agency
2. Test report issued by the supplier
3. Import license (in case of imported goods)

**Article 12 (Preparation for Inspection)** ① An inspector must prepare the following before inspection begins:

1. Confirmation of the contract, specifications, and sample
2. Review of request for inspection and test plan
3. Preparation of test equipment
4. Matters concerning the delivery and test history of the same type of goods of the contractor
5. Reference books and other matters deemed necessary for the inspection

② If deemed necessary, an inspector may request the supplier to submit data or make arrangements for the handling of the goods to be inspected.

**Article 13 (Participation in Inspection)** The supplier must be permitted to participate in the inspection and express his/her intention if deemed reasonable.

**Article 14 (Inspection Procedure)** The procedure for inspection shall be as follows:

1. Decision on inspection priority of the goods
2. Checking the quantity of goods to be inspected
3. Formation and confirmation of inspection lot
4. Sampling and investigation
5. Inspection and testing
6. Determination of acceptance or failure
7. Arrangement of inspection records and results
8. Preparation of inspection report (Use the attached form)

**Article 15 (History Management)** ① The department responsible for contracting must record the history of delivery performance by supplier.

② The department responsible for contracting may inhibit a supplier with poor delivery record from participating in contracts for a certain period of time.

**Chapter 3 Method of Inspection**

**Article 16 (Visual Inspection)** ① Every single piece of goods delivered shall be inspected one by one. If 100 percent inspection as stated above is deemed unreasonable or difficult, however, samples can be selected from a lot for inspection.

② Under any of the following cases, visual inspection shall be performed and the warranty of the supplier may be substituted for inspection supplier:

1. General goods for which no test is required (standardized goods): This shall not apply if there is a special arrangement.
2. KS Standardized goods
3. Introduced products certified with international quality standards
4. Goods certified by authorized agencies

**Article 17 (100% Inspection)** Under any of the following cases, 100% inspection shall be performed:

1. When a defect is critical and may endanger human life
2. When defective items are not permitted at all
3. When the product is extremely valuable
4. When the benefit of inspection far outweigh the cost
5. When the required quality level is not achievable with sampling inspection

**Article 18 (Sampling Inspection)** ① Under any of the following cases, sampling inspection shall be performed. The expenses for providing samples and other expenses shall be borne by the supplier.

1. When 100% inspection is impossible because of the sheer volume of goods
many characteristics to be inspected or too much inspection costs and time are incurred
3. In case of organisms
4. When a result with higher reliability is desired compared to an unstable 100% inspection due
to clearly stated quality standards (I cannot think of an example)
5. When defective items are permitted to some extent

② A lot must be composed of homogenous goods manufactured or processed under the same
conditions; in case of heterogeneous goods, a stratified sample shall be drawn from each group
with different level of quality

③ An inspector must take samples with the supplier present; the inspector and the supplier both
must sign on each sampled item.

④ The inspection test methods specified in the Korean Industrial Standards shall apply *mutatis
mutandis* unless separately stated in the contract. If a specific test method is not separately
stipulated in the Korean Industrial Standards, however, the standard method of a foreign
country may be used.

**Article 19 (Intermediate Inspection)** ① Intermediate inspection shall be performed under any of
the following cases:
1. When inspection is required in the middle of the manufacturing process (e.g. production,
   manufacturing, operation, assembly) to ensure that the final product passes the final
   inspection
2. When major manufacturing processes such as use of correct materials, specifications, work
   progress, etc., need to be checked to ensure quality assurance
3. When intermediate inspection is deemed necessary for quality assurance purposes

② If the inspector detects a violation of the contract terms during intermediate inspection,
he/she shall immediately request the contractor to take corrective action and report in writing
the result of the intermediate inspection to the examiner.

**Article 20 (Test and Analysis)** ① An inspector must collect samples for goods requiring test and
analysis and request an agency to perform test and analysis for the collected samples.

② A physico-chemical test shall be conducted internally by the University. In case of
insufficient testing capability or testing facilities, however, an authorized third-party agency
shall be requested to perform the test.

**Chapter 4 Determination**

**Article 21 (Determination)** ① An inspector shall determine acceptance or failure as a result of
inspection.

② Acceptance shall be determined based on the following standards:
1. If the results of the inspection are in agreement with the corresponding contract, the goods
   shall be accepted.
2. If the result shows minor defects that can be easily corrected by the supplier, a conditional
   acceptance subject to correction within a certain period of time shall be granted with
   agreement of the department responsible for contracting, and the supplier shall be notified
   accordingly. If correction is not made within the specified period of time, however, such
   conditional acceptance shall be annulled, and the inspection shall be deemed failed.
3. If the result of inspection shows minor defects, and any of the following cases applies, a
   conditional acceptance subject to agreement with the supplier on a reduced price may be
   granted with agreement of the department responsible for contracting. If price reduction
   limits and conditions are stipulated, however, the terms of the contract shall apply:
   A. If the goods can be used as normal
   B. If the goods are urgently required by the user
   C. If no replacement purchase is available

**Article 22 (Change of Decision)** ① After the head of the department responsible for inspection
reviews the process and result of inspection by an inspector, the decision of the inspector may
be changed under any of the following cases:
1. If the process of inspection is faulty
2. If the limit of price reduction is exceeded
3. If the defect is a minor one and can be easily corrected
4. If the goods can be used without difficulty and are urgently required
5. If specially required otherwise

② If the decision of inspector is changed by a confirmer, he/she shall be responsible for the
result of such change.
Article 23 (Independent Determination) An inspector must make an independent, conscientious determination in accordance with related regulations and contract terms. If two or more inspectors are appointed, determination must be made by unanimous agreement only; the examiner to whom the inspector reports shall make a determination if a unanimous agreement cannot be reached.

Article 24 (Re-delivery) In case of failure in inspection, the relevant contract may be terminated. If re-delivery is deemed favorable to the University, however, re-delivery may be requested at the expense of the supplier.

Article 25 (Re-inspection) ① Under any of the following cases, inspection may be performed again:
1. If goods are re-delivered by the supplier due to failure in the first inspection
2. If a problem that was not detected during inspection is found by the department using the goods
3. If the certification stamp, seal, or other mark of acceptance has become damaged or illegible
4. If re-inspection is deemed necessary by an examiner

② If a standard sampling method is used for the re-inspection of goods that failed the original inspection, twice as many samples shall be taken as those taken for the original inspection; every sample unit shall be within the acceptance criteria, and the determination of acceptance shall be in accordance with the final inspection result.

Addendum

These amended regulations shall take effect on August 29, 1996.

Addendum

These amended regulations shall take effect on March 1, 2007.
(Attached Table)

### Inspection Procedure

<table>
<thead>
<tr>
<th>Item</th>
<th>Contractor</th>
<th>Entrance</th>
<th>Inspection department (Department ordering goods)</th>
<th>Contracting department</th>
<th>Accounting department</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Dispatch of contract</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Preparation for delivery</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Preparation of inspection report for domestic goods</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Delivery and receipt</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Inspection confirmation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Dispatch of two copies of inspection report</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Preparation of slip</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
(Attached Form)

# Inspection Report for Domestic Goods

<table>
<thead>
<tr>
<th>Contract number</th>
<th>Inspection for the goods specified below is hereby requested.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Place of delivery</td>
<td>Month / Day / Year</td>
</tr>
<tr>
<td>Date of receipt</td>
<td>Address:</td>
</tr>
<tr>
<td>Person who received the delivery</td>
<td>Company name:</td>
</tr>
<tr>
<td></td>
<td>Representative: (seal)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Number</th>
<th>Description/Spec and standards</th>
<th>Unit</th>
<th>Qty.</th>
<th>Unit price</th>
<th>Amount</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Processing of inspection</th>
<th>Details of inspection:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inspection reference number</td>
<td></td>
</tr>
<tr>
<td>Budget number</td>
<td></td>
</tr>
<tr>
<td>Inspection department</td>
<td></td>
</tr>
<tr>
<td>Delivery date</td>
<td></td>
</tr>
<tr>
<td>Number of days of delay</td>
<td>Inspector: (seal)</td>
</tr>
<tr>
<td>Date of inspection</td>
<td>Examiner: (seal)</td>
</tr>
</tbody>
</table>
