

Subject: Employee Misconduct and Dishonesty Policy	Section: Policies, VP, Director of Compliance & Internal Audit or Designee
Date Board Reaffirmed: April 18, 2018	Date Last Revised: Feb 27, 2018

(There are no separate written procedures for this policy but provision stated in the separate Code of Ethics Policy address related issues)

PEOPLES STATE BANK EMPLOYEE MISCONDUCT AND DISHONESTY POLICY

Purpose

The purpose of this document is to communicate Bank policy regarding the deterrence and investigation of suspected misconduct and dishonesty by employees and others, and to provide specific instructions regarding appropriate action in case of suspected violations. Refer to the separate Code of Ethics policy for acceptable behavior in certain business transactions and other activities which are outside the scope of this policy.

Introduction

The impact of misconduct and dishonesty may include many unfavorable results including the financial loss incurred, damage to the bank's reputation or employees, the cost of the investigation, litigation and many other factors.

This policy seeks to establish and maintain a business environment of fairness, ethics and honesty for our employees, our customers, anyone else with whom we have a relationship.

Our organization is committed to the deterrence, detection and correction of misconduct and dishonesty. The discovery, reporting and documentation of such acts provides a sound foundation for the protection of innocent parties, the taking of disciplinary action against offenders up to and including dismissal where appropriate, the referral to law enforcement agencies when warranted by the facts, and the recovery of assets.

Definition of Misconduct and Dishonesty

For purposes of this policy, misconduct and dishonesty include but are not limited to:

- acts which violate the Bank's Code of Ethics Policy
- theft or other misappropriation of assets, including assets of the company, our customers, suppliers or others with whom we have a business relationship
- misstatements and other irregularities in company records, including the intentional misstatement of the results of operations
- wrongdoing
- forgery or other alteration of documents
- fraud and other unlawful acts
- any similar acts.

The company specifically prohibits these and any other illegal activities in the actions of its employees, executives and others responsible for carrying out the organization's activities.

Policy and Responsibilities

Reporting

It is the responsibility of every employee, supervisor, manager and executive to immediately report **suspected** misconduct or dishonesty to the VP Director of Compliance & Internal Audit (or Designee) or the Human Resources department. Any reprisal against any employee or other reporting individual because that individual, in good faith, reported a violation is strictly forbidden.

Due to the important yet sensitive nature of the suspected violations, effective professional follow up is critical. Managers, while appropriately concerned about "getting to the bottom" of such issues, should not in any circumstances perform any investigative or other follow up steps on their own. **Concerned but uninformed managers represent one of the greatest threats to proper incident handling.** All relevant matters, including suspected but unproved matters, should be referred immediately to those with follow up responsibility.

To facilitate reporting of suspected violations, especially in those situations where the reporting individual wishes to remain anonymous, individuals may communicate with the audit committee Chairman by writing to the Chairman at our corporate office, P.O. Box 1686, Wausau, Wisconsin 54402-1686. Individual directors may also be contacted in writing at the same address. Mail which prominently contains the words "Shareholder Communication" on the envelope will be forwarded unopened to the director to whom it is addressed. Mail which is not so marked may be opened for sorting before it is forwarded to the director to whom it is addressee. If a complaint or concern involves accounting, internal accounting controls, or auditing matters, the correspondence may be addressed to, and will be forwarded to the Chairman of the Audit Committee.

Additional Responsibilities of Supervisors

Personnel with supervisory or review authority have three additional responsibilities.

First, you must become aware of what can go wrong in your area of authority.

Second, you must put into place and maintain effective monitoring, review and control procedures that will prevent acts of wrongdoing.

Third, you must put into place and maintain effective monitoring, review and control procedures that will detect acts of wrongdoing promptly should prevention efforts fail.

Authority to carry out these three additional responsibilities is often delegated to subordinates. However, accountability for their effectiveness cannot be delegated and will remain with supervisors and managers.

Assistance in effectively carrying out these responsibilities is available upon request through the internal audit department, the CFO, and through other sources.

Responsibility and Authority for Follow Up and Investigation

The VP Director of Compliance & Internal Audit or designee has the primary responsibility for all investigations involving the company and all subsidiaries and may request the assistance of other managers as needed.

Properly designated members of the investigative team will have free and unrestricted access to all company records and premises, whether owned or rented. They shall also have the authority to examine, copy and/or remove all or any portion of the contents of files, desks, cabinets, and other storage facilities (whether in electronic or other form) without the prior knowledge or

consent of any individual who might use or have custody of any such items or facilities when it is within the scope of investigative or related follow up procedures.

All investigations of alleged wrongdoing will be conducted in accordance with applicable laws and company procedures.

Reported Incident Follow Up Procedure

Care must be taken in the follow up of suspected misconduct and dishonesty to avoid acting on incorrect or unsupported accusations, to avoid alerting suspected individuals that follow up and investigation is underway, and to avoid making statements which could adversely affect the company, an employee, or other parties. Investigative or other follow up activity will be carried out without regard to the suspected individual's position, level or relationship with the company.

Accordingly, the general procedures for follow up and investigation of reported incidents are as follows:

1. Employees and others must immediately report all factual details as indicated above under Policy.
2. The Internal Audit Department has the responsibility for follow up and, if appropriate, investigation of all reported incidents.
3. All records related to the reported incident will be retained for documentation.
4. Do not communicate with the suspected individuals or organizations about the matter under investigation.
5. The VP Director of Compliance & Internal Auditor designee will also consider whether the reported incident should be brought to the attention of the Audit Committee. Any suspected fraud involving a member of senior management must be reported to the audit committee.
6. The VP Director of Compliance & Internal Audit or designee may also obtain the advice of legal counsel at any time throughout the course of an investigation or other follow up activity on any matter related to the report, investigation steps, proposed disciplinary action or any anticipated litigation.
7. Neither the existence nor the results of investigations or other follow up activity will be disclosed or discussed with anyone other than those persons who have a legitimate need to know in order to perform their duties and responsibilities effectively.
8. All inquiries from an attorney or any other contacts from outside of the company, including those from law enforcement agencies or from the employee under investigation, should be referred to the VP Director of Compliance & Internal Auditor designee supported by the help of outside legal consultation as necessary.

Questions or Clarifications Related to This Policy

All questions or other clarifications of this policy and its related responsibilities should be addressed to the VP Director of Compliance & Internal Auditor designee, who shall be responsible for the administration, revision, interpretation, and application of this policy.