Via E-Mail Institutional Shareholder Services Inc. policy@issgovernance.com

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Ladies and Gentlemen: MSC Industrial Direct Co., Inc. welcomes the opportunity to offer comments on proposed changes to ISS' proxy voting guidelines concerning Management Say-On-Pay Proposals (U.S.).

MSC Industrial Direct Co., Inc. (NYSE: MSM) is one of the largest direct marketers and premier distributors of Metalworking and Maintenance, Repair and Operations ("MRO") supplies to industrial customers throughout the United States. MSC employs one of the industry's largest sales forces and distributes approximately 600,000 industrial products from approximately 3,000 suppliers to approximately 325,000 customers. In-stock availability is approximately 99%, with next day standard delivery to the contiguous United States on qualifying orders up until 8:00 p.m. Eastern Time. MSC reaches its customers through a combination of approximately 18 million direct-mail catalogs, 106 branch sales offices, 1,095 sales people, the Internet and associations with some of the world's most prominent B2B eCommerce portals. For more information, visit the Company's website at http://www.mscdirect.com.

I. Peer Group Construction: MSC supports the proposed change to use company-selected peers as an input to the ISS peer-selection methodology, while maintaining the existing approach that includes revenue (or assets for certain financial firms) and market capitalization criteria. We understand that under the proposed change, ISS will also select peer companies within the company's own peers' GICS industry groups. ISS noted that this change was appropriate because a company's GICS industry classification may not reflect the multiple business lines in which the company operates. The proposed methodology additionally focuses initially on an 8-digit GICS resolution to identify peers that are more closely related in terms of industry. Finally, when selecting peers, the methodology would prioritize peers that maintain the company near the median of the peer group, are in the subject company's peer group, and that have chosen the company as a peer.

ISS has sought comment on the following questions:

- Are there additional or alternative ways that ISS should use the company's self-selected peer group to inform its peer group construction?
- Since company size is highly correlated with levels of executive pay, what is a reasonable size range (revenue/assets) for peer group construction?
- Are there additional factors that investors should consider in peer group construction for pay-for-performance evaluation?

MSC continues to have concerns over the variance between company-selected peers and ISS-selected peers. Under the new methodology, ISS projects that only 42% of companies will have an ISS peer group that overlaps at least 50% with their own peer groups (as opposed to 20% of companies under the current methodology). Therefore, even with the change, there will be a substantial variance between company peers and ISS-selected peers, which may produce a substantial disparity in the evaluation of pay and performance alignment relative to ISS-selected peers versus company-selected peers. From a company's standpoint, this means that after a company's compensation committee has worked diligently with its independent compensation consultant to select its peers for compensation benchmarking purposes, ISS's evaluation of the company's pay for performance evaluation may be significantly different that an outcome that uses the company's peer group. We do not believe that there should be a material difference in peers selected for benchmarking purposes as opposed to pay for performance evaluation.

Companies may select peers based on additional considerations, such as geography and competitive considerations. However, ISS does not consider such factors, but rather selects peer companies using a standardized methodology that does not take company-specific factors into account.

MSC recommends the following:

- ISS should clarify that peer companies may be selected from the company's own peers' GICS industry groups whether or not the company operates in any particular GICS industry group;
- ISS should relax the revenue/market cap size ratios to allow for selection of at least two additional peers from the company's own peer group. In this regard, we note that company selection of peers will typically be determined after a lengthy process of engagement between a company's Compensation Committee and its independent compensation consultant where peer companies likely will have been identified prior to the beginning of the fiscal year based on consideration at such time of revenue/market cap size ratios (whereas ISS' selection is based on revenue and market value data determined as of June 1 and December 1); and
- ISS should make other adjustments in its methodology so that there is substantially greater overlap between company-selected peers and ISS-selected peers.

II. Realizable Pay: MSC also supports the proposed change to add a comparison of realizable pay to the analysis of grant-date pay as part of the qualitative evaluation of pay-for-performance alignment. While grant date pay in the Summary Compensation Table shows the intent of the pay decisions of the compensation committee, it does not necessarily reflect the final payouts of performance-based awards or change in value of equity-based compensation due to gains or losses in the company's stock price. Accordingly, where the quantitative analysis shows a pay for performance misalignment, as part of the qualitative analysis, ISS will consider the alignment of realizable pay and performance. ISS states that realizable pay will consist of the sum of relevant cash and equity grants made during a specified measurement period, based on equity award values for actual earned awards, or target values for ongoing awards, calculated using the stock price at the end of the measurement period. ISS proposes to include realizable pay in its qualitative analysis for large cap companies.

MSC recommends the following:

- ISS should include realizable pay in its qualitative analysis, not only for large cap companies, but also for mid-cap companies; and
- ISS should provide guidance as to how much weight it would give to realizable pay as part of its qualitative analysis; in this regard, we believe that substantial weight should be given where a company's quantitative pay for performance alignment would be materially different using realizable pay.

MSC appreciates the opportunity to offer its comments.

Very truly yours, Steve Armstrong, Senior Vice President, General Counsel and Corporate Secretary